Andersons, Inc.
Form 10-Q
May 08, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
¨ 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 000-20557

THE ANDERSONS, INC.
(Exact name of the registrant as specified in its charter)

OHIO	34-1562374
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
1947 Briarfield Boulevard, Maumee, Ohio	43537
(Address of principal executive offices)	(Zip Code)

(419) 893-5050
(Telephone Number)
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ý 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 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	ý	Accelerated Filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
Emerging growth company	¨		

If an emerging growth company, indicate by check mark
if the registrant has elected not to use the extended
transition period for complying with any new or revised
financial accounting standards provided pursuant to
Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

The registrant had approximately 28.3 million common shares outstanding, no par value, at April 27, 2018.

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Part I. Financial Information

Item 1. Financial Statements

The Andersons, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)(In thousands)

	March 31, 2018	December 31, 2017	March 31, 2017
Assets			
Current assets:			
Cash and cash equivalents	$31,497	$ 34,919	$29,645
Restricted cash	—	—	752
Accounts receivable, net	216,021	183,238	190,628
Inventories (Note 2)	731,629	648,703	641,294
Commodity derivative assets – current (Note 5)	43,810	30,702	48,049
Other current assets	57,147	63,790	83,623
Assets held for sale	57,775	37,859	—
Total current assets	1,137,879	999,211	993,991
Other assets:			
Commodity derivative assets – noncurrent (Note 5)	1,739	310	339
Goodwill	6,024	6,024	63,934
Other intangible assets, net	108,855	112,893	103,057
Other assets, net	28,566	12,557	8,108
Equity method investments	224,449	223,239	208,993
	369,633	355,023	384,431
Rail Group assets leased to others, net (Note 3)	462,253	423,443	342,936
Property, plant and equipment, net (Note 3)	393,763	384,677	440,395
Total assets	$2,363,528	$ 2,162,354	$2,161,753

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The Andersons, Inc.
Condensed Consolidated Balance Sheets (continued)
(Unaudited)(In thousands)

	March 31, 2018	December 31, 2017	March 31, 2017
Liabilities and equity			
Current liabilities:			
Short-term debt (Note 4)	$489,000	$ 22,000	$255,000
Trade and other payables	263,519	503,571	276,834
Customer prepayments and deferred revenue	81,778	59,710	81,628
Commodity derivative liabilities – current (Note 5)	15,424	29,651	29,914
Accrued expenses and other current liabilities	60,095	69,579	65,952
Current maturities of long-term debt (Note 4)	14,134	54,205	56,144
Total current liabilities	923,950	738,716	765,472
Other long-term liabilities	31,536	33,129	36,125
Commodity derivative liabilities – noncurrent (Note 5)	1,414	825	450
Employee benefit plan obligations	26,310	26,716	34,832
Long-term debt, less current maturities (Note 4)	438,628	418,339	365,971
Deferred income taxes	118,933	121,730	181,541
Total liabilities	1,540,771	1,339,455	1,384,391
Commitments and contingencies (Note 14)			
Shareholders' equity:			
Common shares, without par value (63,000 shares authorized; 29,430 shares issued at 3/31/2018, 12/31/17 and 3/31/2017)	96	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)	—	—	—
Additional paid-in-capital	221,990	224,622	220,366
Treasury shares, at cost (955, 1,063 and 1,074 shares at 3/31/2018, 12/31/17 and 3/31/2017, respectively)	(36,028)	(40,312)	(40,727)
Accumulated other comprehensive loss	(3,988)	(2,700)	(11,964)
Retained earnings	618,572	633,496	601,560
Total shareholders' equity of The Andersons, Inc.	800,642	815,202	769,331
Noncontrolling interests	22,115	7,697	8,031
Total equity	822,757	822,899	777,362
Total liabilities and equity	$2,363,528	$ 2,162,354	$2,161,753

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)(In thousands, except per share data)

	Three months ended March 31,	
	2018	2017
Sales and merchandising revenues	$635,739	$852,016
Cost of sales and merchandising revenues	572,034	775,558
Gross profit	63,705	76,458
Operating, administrative and general expenses	64,257	81,545
Interest expense	6,999	6,100
Other income:		
Equity in earnings (loss) of affiliates, net	3,573	(1,878)
Other income, net	1,686	7,495
Income (loss) before income taxes	(2,292)	(5,570)
Income tax provision (benefit)	(310)	(2,535)
Net income (loss)	(1,982)	(3,035)
Net income (loss) attributable to the noncontrolling interests	(282)	54
Net income (loss) attributable to The Andersons, Inc.	$(1,700)	$(3,089)
Per common share:		
Basic earnings (loss) attributable to The Andersons, Inc. common shareholders	$(0.06)	$(0.11)
Diluted earnings (loss) attributable to The Andersons, Inc. common shareholders	$(0.06)	$(0.11)
Dividends declared	$0.165	$0.160

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)(In thousands)

	Three months ended March 31,	
	2018	2017
Net income (loss)	$(1,982)	$(3,035)
Other comprehensive income (loss), net of tax:		
Change in fair value of convertible preferred securities (net of income tax of $(87) and $0)	(87)	—
Change in unrecognized actuarial loss and prior service cost (net of income tax of $15 and $7)	(51)	(10)
Foreign currency translation adjustments (net of income tax of $0 and $0)	(1,150)	514
Other comprehensive income (loss)	(1,288)	504
Comprehensive income (loss)	(3,270)	(2,531)
Comprehensive income (loss) attributable to the noncontrolling interests	(282)	54
Comprehensive income (loss) attributable to The Andersons, Inc.	$(2,988)	$(2,585)

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)(In thousands)

	Three months ended March 31, 2018	2017
Operating Activities		
Net income (loss)	$(1,982)	$(3,035)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation and amortization	22,679	21,003
Bad debt expense (recovery)	(531)	629
Equity in (earnings) losses of affiliates, net of dividends	(2,360)	1,931
Gains on sale of Rail Group assets and related leases	(2,280)	(3,609)
(Gain) loss on sale of assets	277	(4,698)
Stock-based compensation expense	1,268	1,220
Other	(70)	(725)
Changes in operating assets and liabilities:		
Accounts receivable	(30,730)	7,563
Inventories	(85,262)	33,456
Commodity derivatives	(45,775)	4,017
Other assets	1,134	(9,375)
Payables and other accrued expenses	(235,075)	(277,612)
Net cash provided by (used in) operating activities	(378,707)	(229,235)
Investing Activities		
Purchases of Rail Group assets	(29,516)	(25,074)
Proceeds from sale of Rail Group assets	14,575	5,621
Purchases of property, plant and equipment and capitalized software	(29,414)	(5,608)
Proceeds from sale of assets	6	13,912
Purchase of investments	—	(1,817)
Other	—	(281)
Net cash provided by (used in) investing activities	(44,349)	(13,247)
Financing Activities		
Net change in short-term borrowings	467,000	226,000
Proceeds from issuance of long-term debt	50,000	15,175
Proceeds from long-term financing arrangement	—	10,396
Payments of long-term debt	(106,515)	(37,852)
Proceeds from noncontrolling interest owner	14,700	—
Proceeds from sale of treasury shares to employees and directors	—	511
Payments of debt issuance costs	(787)	(33)
Dividends paid	(4,650)	(4,483)
Other	(114)	(217)
Net cash provided by (used in) financing activities	419,634	209,497
Decrease in cash and cash equivalents	(3,422)	(32,985)
Cash and cash equivalents at beginning of period	34,919	62,630
Cash and cash equivalents at end of period	$31,497	$29,645

See Notes to Condensed Consolidated Financial Statements

The Andersons, Inc.
Condensed Consolidated Statements of Equity
(Unaudited)(In thousands, except per share data)

	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2016	$ 96	$222,910	$(45,383)	$ (12,468)	$609,206	$ 16,336	$790,697
Net income (loss)					(3,089)	54	(3,035)
Other comprehensive income (loss)				504			504
Other change in noncontrolling interest						(8,359)	(8,359)
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of $(323) (126 shares)		(2,549)	4,604				2,055
Dividends declared ($0.16 per common share)					(4,500)		(4,500)
Restricted share award dividend equivalents		5	52		(57)		—
Balance at March 31, 2017	$ 96	$220,366	$(40,727)	$ (11,964)	$601,560	$ 8,031	$777,362
Balance at December 31, 2017	$ 96	$224,622	$(40,312)	$ (2,700)	$633,496	$ 7,697	$822,899
Net income (loss)					(1,700)	(282)	(1,982)
Other comprehensive income (loss)				(1,288)			(1,288)
Cash received from noncontrolling interest						14,700	14,700
Adoption of accounting standard, net of income tax of $2,869					(8,441)		(8,441)
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of $(0) (105 shares)		(2,632)	4,164				1,532
Dividends declared ($0.165 per common share)					(4,663)		(4,663)
Restricted share award dividend equivalents			120		(120)		—
Balance at March 31, 2018	$ 96	$221,990	$(36,028)	$ (3,988)	$618,572	$ 22,115	$822,757

See Notes to Condensed Consolidated Financial Statements

The Andersons, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation and Consolidation

These Condensed Consolidated Financial Statements include the accounts of The Andersons, Inc. and its wholly owned and controlled subsidiaries (the “Company”). All intercompany accounts and transactions are eliminated in consolidation.

Investments in unconsolidated entities in which the Company has significant influence, but not control, are accounted for using the equity method of accounting.

In the opinion of management, all adjustments consisting of normal and recurring items considered necessary for the fair presentation of the results of operations, financial position, and cash flows for the periods indicated have been made. The results in these Condensed Consolidated Financial Statements are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2018. An unaudited Condensed Consolidated Balance Sheet as of March 31, 2017 has been included as the Company operates in several seasonal industries. Certain prior year amounts within the operating and investing activities sections of the statements of cash flows have been reclassified to conform to current year presentation.

The Condensed Consolidated Balance Sheet data at December 31, 2017 was derived from the audited Consolidated Financial Statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in The Andersons, Inc. Annual Report on Form 10-K for the year ended December 31, 2017 (the “2017 Form 10-K”).

New Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (ASC 606). The FASB issued subsequent amendments to the initial guidance in August 2015, March 2016, April 2016, May 2016, and December 2016 within ASU 2015-14, ASU 2016-08, ASU 2016-10 ASU 2016-12 and ASU 2016-20, respectively. The core principle of the new revenue standard is that an entity recognizes revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted the standard in the current period using the modified retrospective method. As a result of the adoption we recognized a cumulative catch-up transition adjustment in beginning retained earnings at January 1, 2018 for non-recourse financing transactions that were open as of December 31, 2017. This resulted in a $25.6 million increase in Rail Group net assets, $34.0 million increase in financing liabilities and deferred tax liabilities and $8.4 million decrease to retained earnings. See Note 7 for further detail.

Leasing

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASC 842). ASC 842 supersedes the current accounting for leases. The new standard, while retaining two distinct types of leases, finance and operating, (i) requires lessees to record a right of use asset and a related liability for the rights and obligations associated with a lease, regardless of lease classification, and recognize lease expense in a manner similar to current accounting, (ii) eliminates current real estate specific lease provisions, (iii) modifies the lease classification criteria and (iv) aligns many of the underlying lessor model principles with those in the new revenue standard. ASC 842 is effective for fiscal years beginning after December 15, 2018, and interim periods within. Early adoption is permitted, however the Company does not plan to early adopt. The new standard is effective for the Company beginning January 1, 2019 and must be adopted using either the modified retrospective approach, which requires application of the new guidance at the beginning of the earliest comparative period presented or the optional alternative approach, which requires application of the new guidance at the beginning of the standard’s effective date.

The Company expects this standard to have the effect of bringing certain off balance-sheet rail assets onto the balance sheet along with a corresponding liability for the associated obligations. Additionally, we have other arrangements currently classified as operating leases which will be recorded as a right of use asset and corresponding liability on the balance sheet. We are currently evaluating the impact these changes will have on the Consolidated Financial Statements.

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Other applicable standards

In February 2018, the FASB issued ASU 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows companies to reclassify stranded income tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings in their consolidated financial statements. This guidance is effective for fiscal years beginning after December 15, 2018. We have evaluated the impact of this new standard on our consolidated financial statements and do not expect the impact to be material. Early adoption is permitted, however the Company has not chosen to do so at this time.

In August 2017, the FASB issued ASU 2017-12 Targeted Improvements to Accounting for Hedging Activities. This standard simplifies the recognition and presentation of changes in the fair value of hedging instruments. The ASU is effective for annual periods beginning December 15, 2018. Early adoption is permitted, and the Company plans to adopt this standard in the second quarter of 2018. The Company does not expect the impact from adoption of this standard to be material to its Consolidated Financial Statements and disclosures.

In May 2017, the FASB issued ASU 2017-09 Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting. This standard states that if the vesting conditions, fair value, and classification of the awards are the same immediately before and after the modification an entity would not apply modification accounting. The Company has adopted this standard in the current period noting no impact as the Company has not made any modifications to our stock compensation awards.

In March 2017, the FASB issued ASU 2017-07 Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This standard requires that the service cost component be reported in the same line item as other compensation costs arising from services rendered by the employees during the period. The other components of net benefit costs should be presented in the income statement separately from the service cost component and outside of income from operations if that subtotal is presented. The Company has adopted this standard in the current period and prior periods have been recast to reflect this change.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This standard clarifies how companies present and classify certain cash receipts and payments in the statement of cash flows. The Company has adopted this standard in the current period noting the impact is immaterial.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. This update changes the accounting for credit losses on loans and held-to-maturity debt securities and requires a current expected credit loss (CECL) approach to determine the allowance for credit losses. This includes allowances for trade receivables. The Company has not historically incurred significant credit losses and does not currently anticipate circumstances that would lead to a CECL approach differing from the Company's existing allowance estimates in a material way. The guidance is effective for fiscal years beginning after December 15, 2019 with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. Early adoption is permitted, however the Company does not plan to do so.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The FASB issued subsequent amendments to the initial guidance in February 2018 and March 2018 within ASU 2018-03 and ASU 2018-04, respectively. This standard provides guidance for the recognition, measurement, presentation, and disclosure of financial instruments. The Company has adopted this standard in the current period noting the impact is immaterial.

2. Inventories

Major classes of inventories are as follows:

(in thousands)	March 31, 2018	December 31, 2017	March 31, 2017
Grain	$541,272	$ 505,217	$443,870
Ethanol and co-products	14,320	11,003	15,549
Plant nutrients and cob products	170,748	126,962	165,584
Retail merchandise	—	—	11,082
Railcar repair parts	5,289	5,521	5,209
	$731,629	$ 648,703	$641,294

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Inventories on the Condensed Consolidated Balance Sheets at March 31, 2018, December 31, 2017 and March 31, 2017 do not include 0.7 million, 1.0 million and 2.7 million bushels of grain, respectively, held in storage for others. The Company does not have title to the grain and is only liable for any deficiencies in grade or shortage of quantity that may arise during the storage period. Management has not experienced historical losses on any deficiencies and does not anticipate material losses in the future.

3. Property, Plant and Equipment

The components of Property, plant and equipment, net are as follows:

(in thousands)	March 31, 2018	December 31, 2017	March 31, 2017
Land	$29,915	$ 22,388	$29,331
Land improvements and leasehold improvements	69,320	69,127	78,798
Buildings and storage facilities	285,084	284,820	321,344
Machinery and equipment	377,563	373,127	388,230
Construction in progress	15,116	7,502	13,113
	776,998	756,964	830,816
Less: accumulated depreciation	383,235	372,287	390,421
	$393,763	$ 384,677	$440,395

Depreciation expense on property, plant and equipment was $11.6 million and $12.1 million for the three months ended March 31, 2018 and 2017, respectively.

In December 2017, the Company recorded charges totaling $10.9 million for impairment of property, plant and equipment in the Grain segment, of which $5.6 million relates to assets that are deemed held and used and $5.3 million related to assets that have been reclassified as assets held for sale at December 31, 2017. The Company wrote down the value of these assets to the extent their carrying amounts exceeded fair value. The Company classified the significant assumptions used to determine the fair value of the impaired assets as Level 3 inputs in the fair value hierarchy.

Rail Group Assets

The components of Rail Group assets leased to others are as follows:

(in thousands)	March 31, 2018	December 31, 2017	March 31, 2017
Rail Group assets leased to others	$577,678	$ 531,391	$448,761
Less: accumulated depreciation	115,425	107,948	105,825
	$462,253	$ 423,443	$342,936

Depreciation expense on Rail Group assets leased to others amounted to $6.2 million and $4.7 million for the three months ended March 31, 2018 and 2017, respectively.

4. Debt

The Company has a line of credit agreement with a syndicate of banks. The agreement provides for a credit facility in the amount of $800 million. Total borrowing capacity for the Company under all lines of credit is currently at $950.0 million, including subsidiary debt that is non-recourse to the Company of $15.0 million for The Andersons Denison Ethanol LLC ("TADE"), $70 million for ELEMENT LLC and $65 million for The Andersons Railcar Leasing Company LLC. At March 31, 2018, the Company had a total of $338.3 million available for borrowing under its lines of credit. The Company's borrowing capacity is reduced by a combination of outstanding borrowings and letters of credit. The Company was in compliance with all financial covenants as of March 31, 2018.

ELEMENT, LLC, a consolidated subsidiary of the Company, entered into a financing agreement during the first quarter. This agreement provides a construction loan of up to $70.0 million. Upon project completion, the agreement provides the opportunity for the Company to convert the construction loan to a term loan of up to $50.0 million and a revolving term loan of up to $20.0 million. The maturity date of the credit agreement is March 2, 2025. During the construction period, borrowings under the credit agreement bear interest at variable interest rates, which are based off LIBOR plus an applicable spread. Upon

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conversion of the construction loan to a term loan, the Company will have the option of fixing the interest on portions of the loans, or continuing at the previously described variable interest rates. There are no outstanding borrowings under this agreement as of March 31, 2018. The agreements include both financial and non-financial covenants that ELEMENT LLC, among other things, is required at a minimum to maintain various working capital levels and debt service coverage ratios based on project milestones as well as a minimum owner's equity level.

The Andersons Railcar Leasing Company LLC, a consolidated subsidiary of the Company, entered into a revolving asset based loan agreement on March 22, 2018 that provides for a credit facility in the amount of $65 million. The maturity date of the loan agreement is March 23, 2021. Borrowings under the agreement bear interest at market driven, variable interest rates which was 3.88% as of March 31, 2018 The agreement includes both financial and non-financial covenants, including maintaining certain leverage and interest coverage ratios, tangible net worth and utilization levels. There are $40.0 million of outstanding borrowings under this agreement as of March 31, 2018, the proceeds of which were used to pay down outstanding balances of the Company's primary credit facility agreement.

The Company’s short-term and long-term debt at March 31, 2018, December 31, 2017 and March 31, 2017 consisted of the following:

(in thousands)	March 31, 2018	December 31, 2017	March 31, 2017
Short-term Debt – Non-Recourse	$—	$ —	$—
Short-term Debt – Recourse	489,000	22,000	255,000
Total Short-term Debt	$489,000	$ 22,000	$255,000
Current Maturities of Long-term Debt – Non-Recourse	$2,922	$ —	$—
Current Maturities of Long-term Debt – Recourse	11,212	54,205	56,144
Total Current Maturities of Long-term Debt	$14,134	$ 54,205	$56,144
Long-term Debt, Less: Current Maturities – Non-Recourse	$72,977	$ —	$—
Long-term Debt, Less: Current Maturities – Recourse	365,651	418,339	365,971
Total Long-term Debt, Less: Current Maturities	$438,628	$ 418,339	$365,971

5. Derivatives

The Company’s operating results are affected by changes to commodity prices. The Grain and Ethanol businesses have established “unhedged” position limits (the amount of a commodity, either owned or contracted for, that does not have an offsetting derivative contract to lock in the price). To reduce the exposure to market price risk on commodities owned and forward grain and ethanol purchase and sale contracts, the Company enters into exchange traded commodity futures and options contracts and over-the-counter forward and option contracts with various counterparties. These contracts are primarily traded via the regulated CME. The Company’s forward purchase and sales contracts are for physical delivery of the commodity in a future period. Contracts to purchase commodities from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of commodities to processors or other commercial consumers generally do not extend beyond one year.

All of these contracts meet the definition of derivatives. While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges as defined under current accounting standards. The Company accounts for its commodity derivatives at estimated fair value. The estimated fair value of the commodity derivative contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received, also known as margin deposits) within commodity derivative assets or liabilities. Management determines fair value based on exchange-quoted prices and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets and non-performance risk. For contracts for which physical delivery occurs, balance sheet classification is based on estimated delivery date. For futures, options and over-the-counter contracts in which physical delivery is not expected to occur but, rather, the contract is expected to be net settled, the Company classifies these contracts as current or noncurrent assets or liabilities, as appropriate, based on the Company's expectations as to when such contracts will be settled.

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Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices, changes in performance or credit risk, or due to sale, maturity or extinguishment of the commodity contract) and grain inventories are included in cost of sales and merchandising revenues.

Generally accepted accounting principles permit a party to a master netting arrangement to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or obligation to return cash collateral under the same master netting arrangement. The Company has master netting arrangements for its exchange traded futures and options contracts and certain over-the-counter contracts. When the Company enters into a future, option or an over-the-counter contract, an initial margin deposit may be required by the counterparty. The amount of the margin deposit varies by commodity. If the market price of a future, option or an over-the-counter contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required. The margin deposit assets and liabilities are included in short-term commodity derivative assets or liabilities, as appropriate, in the Condensed Consolidated Balance Sheets.
The following table presents at March 31, 2018, December 31, 2017 and March 31, 2017, a summary of the estimated fair value of the Company's commodity derivative instruments that require cash collateral and the associated cash posted/received as collateral. The net asset or liability positions of these derivatives (net of their cash collateral) are determined on a counterparty-by-counterparty basis and are included within current or noncurrent commodity derivative assets (or liabilities) on the Condensed Consolidated Balance Sheets:

(in thousands)	March 31, 2018		December 31, 2017		March 31, 2017	
	Net derivative asset position	Net derivative liability position	Net derivative asset position	Net derivative liability position	Net derivative asset position	Net derivative liability position
Collateral paid (received)	$54,762	$ —	$ 1,351	$ —	$(2,769)	$ —
Fair value of derivatives	(18,874)	—	17,252	—	32,310	—
Balance at end of period	$35,888	$ —	$ 18,603	$ —	$29,541	$ —

The following table presents, on a gross basis, current and noncurrent commodity derivative assets and liabilities:

(in thousands)	March 31, 2018				
	Commodity Derivative Assets - Current	Commodity Derivative Assets - Noncurrent	Commodity Derivative Liabilities - Current	Commodity Derivative Liabilities - Noncurrent	Total
Commodity derivative assets	$29,861	$ 1,851	$ 3,115	$ 47	$34,874
Commodity derivative liabilities	(40,813)	(112)	(18,539)	(1,461)	(60,925)
Cash collateral	54,762	—	—	—	54,762
Balance sheet line item totals	$43,810	$ 1,739	$ (15,424)	$ (1,414)	$28,711

(in thousands)	December 31, 2017				
	Commodity Derivative Assets - Current	Commodity Derivative Assets - Noncurrent	Commodity Derivative Liabilities - Current	Commodity Derivative Liabilities - Noncurrent	Total
Commodity derivative assets	$36,929	$ 311	$ 489	$ 1	$37,730
Commodity derivative liabilities	(7,578)	(1)	(30,140)	(826)	(38,545)
Cash collateral	1,351	—	—	—	1,351
Balance sheet line item totals	$30,702	$ 310	$ (29,651)	$ (825)	$536

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(in thousands)	March 31, 2017 Commodity Derivative Assets - Current	Commodity Derivative Assets - Noncurrent	Commodity Derivative Liabilities - Current	Commodity Derivative Liabilities - Noncurrent	Total
Commodity derivative assets	$57,499	$ 341	$ 554	$ 3	$58,397
Commodity derivative liabilities	(6,681)	(2)	(30,468)	(453)	(37,604)
Cash collateral	(2,769)	—	—	—	(2,769)
Balance sheet line item totals	$48,049	$ 339	$ (29,914)	$ (450)	$18,024

The net pre-tax gains and losses on commodity derivatives not designated as hedging instruments included in the Company's Condensed Consolidated Statements of Operations and the line items in which they are located for the three months ended March 31, 2018 and 2017 are as follows:

(in thousands)	Three months ended March 31, 2018	2017
Gains (losses) on commodity derivatives included in cost of sales and merchandising revenues	$(25,236)	$27,025

The Company had the following volume of commodity derivative contracts outstanding (on a gross basis) at March 31, 2018, December 31, 2017 and March 31, 2017:

Commodity (in thousands)	March 31, 2018 Number of Bushels	Number of Gallons	Number of Pounds	Number of Tons
Non-exchange traded:				
Corn	335,887	—	—	—
Soybeans	48,003	—	—	—
Wheat	16,639	—	—	—
Oats	40,555	—	—	—
Ethanol	—	280,243		—
Corn oil	—	—	5,048	—
Other	27	4,500		90
Subtotal	441,111	284,743	5,048	90
Exchange traded:				
Corn	146,505	—	—	—
Soybeans	52,460	—	—	—
Wheat	74,805	—	—	—
Oats	2,290	—	—	—
Ethanol	—	108,108	—	—
Subtotal	276,060	108,108	—	—
Total	717,171	392,851	5,048	90

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	December 31, 2017			
Commodity (in thousands)	Number of Bushels	Number of Gallons	Number of Pounds	Number of Tons
Non-exchange traded:				
Corn	218,391			—
Soybeans	18,127	—	—	—
Wheat	14,577	—	—	—
Oats	25,953	—	—	—
Ethanol	—	197,607	—	—
Corn oil	—	—	6,074	—
Other	47	—	—	97
Subtotal	277,095	197,607	6,074	97
Exchange traded:				
Corn	82,835	—	—	—
Soybeans	37,170	—	—	—
Wheat	65,640	—	—	—
Oats	1,345	—	—	—
Ethanol	—	39,438	—	—
Other	—	840	—	—
Subtotal	186,990	40,278	—	—
Total	464,085	237,885	6,074	97

	March 31, 2017			
Commodity (in thousands)	Number of Bushels	Number of Gallons	Number of Pounds	Number of Tons
Non-exchange traded:				
Corn	201,200	—	—	—
Soybeans	29,015	—	—	—
Wheat	7,956	—	—	—
Oats	46,861	—	—	—
Ethanol	—	178,040	—	—
Corn oil	—	—	6,279	—
Other	100	1,000		

Dale Burks	12/1/2010	5,000	$	190,600	—	$—
	9/20/2011	5,000	$	190,600	—	$—
	10/9/2012	1,250	$	47,650	1,250	$47,650
	10/9/2012	5,000	$	190,600	—	$—
	10/8/2013	1,250	$	47,650	1,250	$47,650
	10/8/2013	5,000	$	190,600	—	$—
	10/7/2014	1,250	$	47,650	1,250	$47,650
	10/7/2014	5,000	$	190,600	—	$—
Carmine J. Broccole	12/1/2010	5,000	$	190,600	—	$—
	9/20/2011	5,000	$	190,600	—	$—
	10/9/2012	1,250	$	47,650	1,250	$47,650
	10/9/2012	5,000	$	190,600	—	$—
	10/8/2013	1,250	$	47,650	1,250	$47,650
	10/8/2013	5,000	$	190,600	—	$—

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Name	Grant Date	Stock Awards [1] Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested [2]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested [2]
Carmine J. Broccole	10/7/2014	1,250	$47,650	1,250	$ 47,650
(continued)	10/7/2014	5,000	$190,600	—	$ —

(1) Shares of standard restricted stock generally vest on the third anniversary of the date of grant, except that the 5,000 shares of long-term retention restricted stock granted to Mr. Eric Sills, Mr. Dale Burks and Mr. Carmine Broccole on December 1, 2010, September 20, 2011, October 9, 2012, October 8, 2013, and October 7, 2014 vest in increments upon the executive reaching 60 (25% vests), 63 (25% vests) and 65 (balance vests) years of age. Performance shares vest on the third anniversary of the date of grant, provided that certain performance goals have been met at the end of the three year measuring period. Please refer to “Compensation Discussion and Analysis” above for additional information regarding equity awards granted under our 2006 Omnibus Incentive Plan.

(2) The market value is based on the closing price of the Company’s Common Stock of $38.12 per share as of December 31, 2014.

The following table provides additional information relating to the vesting of standard restricted stock and performance shares previously granted to the Named Executive Officers during the year ended December 31, 2014. None of the Named Executive Officers have outstanding options to purchase shares of Company Common Stock.

Option Exercises and Stock Vested for 2014

Name	Stock Awards Number of Shares Acquired on Vesting	Value Realized on Vesting [1]
Lawrence I. Sills	4,930	$174,078
John P. Gethin	4,622	$163,203
Eric Sills	3,081	$108,790
James J. Burke	4,622	$163,203
Dale Burks	3,081	$108,790
Carmine J. Broccole	3,081	$108,790

(1) The market value of the restricted stock and the performance shares is based on the closing price of the Company's Common Stock on the vesting date of such stock awards, which was $35.31 per share on September 19, 2014.

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The following table shows the present value of accumulated benefits payable to each of our Named Executive Officers, including the number of years of service credited to each Named Executive Officer, under our Supplemental SERP as of December 31, 2014.

Pension Benefits for 2014

Name	Plan Name (1)	Number of Years Credited Services (2)	Present Value of Accumulated Benefit (3)	Payments During Last Fiscal Year
Lawrence I. Sills				
John P. Gethin				
Eric Sills				
James J. Burke	Supplemental SERP	35	$ 6,537,846	$ 0
Dale Burks				
Carmine J. Broccole				

(1) The Supplemental SERP is an unfunded supplemental retirement program for eligible employees. Mr. Burke is presently the only participant in the Supplemental SERP. The Supplemental SERP provides that, upon Mr. Burke attaining 60 years of age, he will be entitled to a lump sum amount equal to the present value of Mr. Burke's benefit (determined pursuant to the terms of the Supplemental SERP). If Mr. Burke terminates his employment voluntarily prior to age 60 or is terminated for cause, he will forfeit his benefits under the Supplemental SERP. See "Compensation Discussion and Analysis" above and "Severance and Change of Control Arrangements—Supplemental SERP" below for additional information.

(2) The number of years of credited service reflects the Named Executive Officer's actual service with us. We do not credit additional years of service under the Supplemental SERP, other than as may be required under the terms of the Severance Compensation Agreement with Mr. Burke. See "Severance and Change of Control Arrangements" for additional information regarding the Severance Compensation Agreement.

(3) The amounts reflected in this column represent the benefit the Named Executive Officer has accrued based upon his salary and the number of years of credited service as of December 31, 2014.

The following table shows the aggregate earnings and balances for each of our Named Executive Officers under our Supplemental Executive Retirement Plan as of December 31, 2014.

Nonqualified Deferred Compensation for 2014

Name	Executive Contributions in Last FY	Registrant Contributions in Last FY (1)	Aggregate Earnings in Last FY (2)	Aggregate Withdrawals/ Distribution	Aggregate Balance at Last FYE
Lawrence I. Sills	$ 655,660	$ 72,876	$ 237,076	$ —	$ 5,543,689
John P. Gethin	—	43,924	68,051	—	1,293,848
Eric Sills	—	25,026	8,550	—	128,025
James J. Burke	—	54,080	50,910	—	718,589
Dale Burks	—	25,723	26,279	—	253,706

Carmine J. Broccole	—	25,497	15,931	—	185,125

(1) The amounts shown in this column reflect amounts contributed in 2014.

(2) Earnings are not above market and therefore are not reportable in the Summary Compensation Table. See “Severance and Change of Control Arrangements—Supplemental Executive Retirement Plan (SERP)” below for further information.

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The following table presents a summary of shares of Company Common Stock that may be issued under our existing equity plans.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights		Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders [1]	758,893	[2]	$ 24.44	511,598
Equity compensation plans not approved by security holders				
All plans	758,893	[2]	$ 24.44	511,598

(1) Represents shares of the Company's Common Stock issued or issuable (a) under the 2006 Omnibus Incentive Plan and (b) upon exercise of options outstanding under our 2004 Omnibus Stock Option Plan and 2004 Independent Outside Directors' Stock Option Plan.

(2) This amount includes options to purchase 9,875 shares of the Company's Common Stock issuable under our several stock option plans and 749,018 shares covered by outstanding unvested awards of restricted stock issued, and performance shares issuable, under our 2006 Omnibus Incentive Plan.

Severance and Change of Control Arrangements

Severance Compensation Agreements

In December 2001, the Company entered into Severance Compensation Agreements with each of John P. Gethin and James J. Burke. The agreements provide that if a change in control of the Company occurs and, within 12 months thereafter, the executive's employment is terminated by the Company without cause or by the executive for certain specific reasons, then the executive will receive severance payments and certain other benefits. The specific reasons which allow the executive to resign and receive the benefits are: (1) a reduction or change in status, position or reporting responsibility; (2) a reduction in the executive's annual rate of base salary; and (3) relocation of more than 15 miles from the Company's current office.

If the executive resigns for one of the specific reasons, or is terminated without cause, the executive will be entitled to receive: (1) a severance payment equal to three times his base salary plus standard bonus, payable over a two year period on a pro rata, semi-monthly basis; (2) continued participation for a period of 36 months in group medical, dental and/or life insurance plans; (3) an immediate three years of additional service credit for all purposes under the Company's Supplemental SERP and any other applicable welfare plans; (4) exclusive use of a company automobile for the duration of the lease then in effect; and (5) outplacement services.

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For purposes of these agreements, a change in control of the Company means the occurrence of any of the following events: (1) a sale of all or substantially all of the assets of the Company to any person or group other than certain designated individuals; or (2) any person or group, other than certain designated individuals, become the beneficial owner or owners of more than 50% of the total voting stock of the Company, including by way of merger, consolidation or otherwise.

Retention Bonus and Insurance Agreements

In December 2006, the Company entered into a Retention Bonus and Insurance Agreement with James J. Burke, which agreement provides, among other things, that (1) Mr. Burke will remain an employee of the Company for a term of not less than three additional years after he reaches the age of 60 (the “Extension Period”); (2) Mr. Burke will receive additional compensation comprised of one year’s salary plus any applicable bonus at par payable in a lump sum; and (3) Mr. Burke will receive an extension of his life insurance policy during the Extension Period. The additional compensation payable under such agreement would be forfeited in the event that Mr. Burke’s employment is terminated for any reason, other than a disability, in which case Mr. Burke would be entitled to a pro rata bonus calculated as provided in the agreement.

Supplemental Executive Retirement Plan (SERP)

The Company has established a Supplemental Executive Retirement Plan (SERP) for our executive officers and other eligible employees. The purpose of this plan is to enable the Company to supplement the benefits under the Company’s Profit Sharing 401(K) Capital Accumulation Plan as well as to provide a means whereby certain amounts payable by the Company to our executive officers may be deferred to some future period. To the extent that an eligible employee retires or is terminated, their accounts in the SERP shall be paid either in a lump sum or over a period of time, at the election of the employee. In the event of a change of control of the Company, the Company shall, as soon as possible, but in no event longer than 60 days following the change of control event, make an irrevocable contribution to a rabbi trust established under the plan in an amount that is sufficient to pay each SERP participant or beneficiary the benefits to which SERP participants or their beneficiaries would be entitled pursuant to the terms of the SERP as of the date on which the change of control event occurred. Upon a change of control event, each participant’s account shall be fully vested.

Supplemental SERP

The Company maintains an unfunded Supplemental SERP for James J. Burke. The Supplemental SERP provides that, upon Mr. Burke attaining 60 years of age, he will be entitled to a lump sum amount equal to the present value of Mr. Burke’s benefit (determined pursuant to the terms of the Supplemental SERP). If Mr. Burke terminates his employment voluntarily prior to age 60 or is terminated for cause, he will forfeit his benefits under the Supplemental SERP. The benefits under the Supplemental SERP are in addition to benefits payable to participants under the Company’s Profit Sharing 401(K) Capital Accumulation Plan and SERP. Benefits under the Supplemental SERP will be paid from general corporate funds in the form of a lump sum and are not subject to any deduction for Social Security or other offset amounts.

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Retiree Medical Benefits

The Company provides a company-funded health reimbursement account for eligible retirees who have attained the age of 65. Lawrence I. Sills, James J. Burke, and Dale Burks are the only Named Executive Officers eligible to receive benefits under this program. In May 2011, the Company announced that it intended to phase out the retiree medical benefits program at the end of 2016.

2006 Omnibus Incentive Plan

As previously discussed under "Compensation Discussion and Analysis" above, we grant our Named Executive Officers shares of restricted stock. Under the terms of the 2006 Omnibus Incentive Plan, any unvested shares of restricted stock will immediately vest upon death, retirement at or after the age of 65, total disability, or upon a change in control of the Company. For purposes of the Incentive Plan, a "change of control" means any of the following events:

(a) Any person, other than certain designated persons, becomes the beneficial owner of 20% or more of the total voting stock of the Company;

(b) Individuals who constituted the Board as of May 15, 2014 cease for any reason to constitute at least a majority of the Board, other than in certain circumstances;

(c) Consummation of a reorganization, merger, or consolidation of the Company or a sale or other disposition of all or substantially all of the assets of the Company, in each case unless, (i) the beneficial owners of the Company before such event hold less than 50% of the voting stock after such event; (ii) no person beneficially owns, directly or indirectly, 20% or more of the total voting stock of the successor entity, except to the extent that such ownership existed prior to the business combination; and (iii) at least a majority of the members of the board of directors of the successor entity were members of the incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such business combination; or

(d) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

The following table shows the estimated benefits payable to our Named Executive Officers following both a change in control of the Company and a hypothetical termination of employment as of December 31, 2014 under the severance and change in control arrangements discussed immediately above.

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Estimated Benefits upon Termination Following a Change in Control

Name	Severance Compensation Agreement Amount (1)	Retention Agreement Amount (2)	SERP Amount (3)	Supplemental SERP Amount (4)	Early Vesting of Restricted Stock (5)	Other (6)	Total
Lawrence I. Sills			$5,543,689		$228,720	$13,200	$5,785,609
John P. Gethin	$ 1,920,000		1,293,848		214,425	164,721	3,592,994
Eric Sills			128,025		1,095,950		1,223,975
James J. Burke	2,505,000	$ 0	718,589	$ 8,060,999	214,425	91,184	11,590,198
Dale Burks			253,706		1,095,950		1,349,656
Carmine J. Broccole			185,125		1,095,950		1,281,075

(1) This amount represents three times the sum of the executive officer’s 2014 base salary and standard bonus and is payable over a two year period on a semi-monthly basis.

(2) Mr. Burke would not have been entitled to any payments under this agreement at December 31, 2014.

(3) This amount represents contributions under the SERP that would have been made upon a change of control. Absent a change of control, if the executive officer retired or was terminated at December 31, 2014, this amount would have been paid either in a lump sum or over a period of time, at the election of the officer.

(4) This amount represents a payout under the Supplemental SERP, inclusive of the benefit of any additional service credit provided under the Severance Compensation Agreement which would have been payable in a lump sum upon termination following a change of control. Absent a change of control, the payout of this amount upon the termination of Mr. Burke without cause would have been $6,045,749.

(5) This amount represents the closing price of our Common Stock on December 31, 2014 of $38.12 per share multiplied by the outstanding number of shares of restricted stock for each executive as follows: Mr. Lawrence Sills – 6,000 shares; Mr. John Gethin and Mr. James Burke – 5,625 shares; and Mr. Eric Sills, Mr. Dale Burks and Mr. Carmine Broccole – 28,750 shares. Absent a change of control, if Mr. Lawrence Sills or John P. Gethin resigned or retired at December 31, 2014, his restricted stock award would immediately vest under the terms of the award because each of them has reached the age of 65.

(6) For Messrs. John Gethin and James Burke, this amount represents Company payments for (a) group medical, dental and/or life insurance plans for a 36 month period, (b) use of a company automobile for the duration of the lease then in effect, and (c) the cost of outplacement services, pursuant to the terms of the Severance Compensation Agreement. For Mr. Lawrence Sills this amount represents post-retirement medical benefits, the present value of such amount is included above.

Risk Considerations in our Compensation Program

Our Compensation and Management Development Committee has analyzed the concept of risk as it relates to our compensation program for all employees. The Committee does not believe our compensation program encourages excessive or inappropriate risk taking because the Company does not use highly leveraged incentives that drive risky short-term behavior. As we discussed previously with respect to our Named Executive Officers in the Compensation Discussion and Analysis, we structure our incentive bonus programs and equity award programs to promote the creation of long-term value and discourage behavior that leads to excessive risk:

- We structure our pay to consist of both fixed and variable compensation. The fixed (or salary) portion of compensation is designed to provide a steady income regardless of the Company’s stock price so that employees do not feel pressured to focus exclusively on stock price performance to the detriment of other important business goals. The variable (cash bonus and equity) portions of compensation are designed to reward both short-term and long-term corporate performance. For short-term performance, our cash EVA-based bonus is awarded based on the Company’s achievement of financial improvement. For long-term performance, our restricted stock and performance share awards vest over three years or a longer period of time.

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- We cap our annual MBO and EVA bonus payouts at 200% of the applicable target, which we believe also mitigates excessive risk taking by limiting payouts. Moreover, any EVA bonus in excess of the 200% target may be carried into the following year but is subject to the risk of forfeiture depending upon the following year's EVA performance. With respect to EVA bonus payouts, since bonuses tied to EVA are based on overall corporate performance, rather than individual performance, the ability of an individual executive to increase his or her own bonus compensation through excessive risk taking is constrained.

Certain Relationships and Related Party Transactions

Our Board has adopted a written policy relating to the review, approval or ratification of "related-person transactions" between the Company or its subsidiaries and related persons. Under SEC rules, a related person is a director, officer, nominee for director, or 5% or greater stockholder of the Company since the beginning of the last fiscal year and their immediate family members. The Company's policies and procedures apply to any transaction or series of transactions in which the Company or a subsidiary is a participant, the amount involved exceeds $120,000, and a related person has a direct or indirect material interest.

Our policy requires that all related party transactions be disclosed to the Nominating and Corporate Governance Committee (with respect to directors) or the Audit Committee (with respect to executive officers). The applicable Committee then reviews the material facts of such related party transactions and either approves or disapproves of the entry into or ratifies the related party transaction. In determining whether to approve or ratify a related party transaction, the Committee will take into account, among other factors it deems appropriate, whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction. In addition, our policy provides that any related party transaction may be consummated or continue if (1) the transaction is approved by the disinterested members of the Board or (2) the transaction involves compensation approved by the Company's Compensation and Management Development Committee. No director shall participate in any discussion or approval of a transaction for which he or she is the related party.

The Audit Committee was not presented with, and the Company did not participate in, any related-person transactions in 2014.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Committee is comprised of seven directors who are "independent" as defined under the listing standards of the New York Stock Exchange. The Committee met four times in 2014 and operates under a written charter adopted by the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the Company's systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed with management the audited financial statements in the Annual Report on Form 10-K for the fiscal year ended December 31, 2014, including a discussion of the quality and the acceptability of the Company's financial reporting and controls.

The Audit Committee also reviewed with KPMG LLP, the Company's independent registered public accounting firm, that is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality and the acceptability of the Company's financial reporting, and such other matters as are required to be discussed with the Committee under generally accepted auditing standards, including the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, including the scope of the auditor's responsibilities and whether there are any significant accounting adjustments or any disagreements with management. In addition, the Committee discussed with KPMG LLP the auditors' independence from management and the Company, including the matters in the auditors' written disclosures required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Committee concerning independence.

The Committee also discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets periodically with the internal and the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for filing with the Securities and Exchange Commission.

Audit Committee

William H. Turner, Chairman	Frederick D. Sturdivant
Pamela Forbes Lieberman	Richard S. Ward
Joseph W. McDonnell	Roger M. Widmann
Alisa C. Norris	

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STOCKHOLDER PROPOSALS FOR THE 2016 ANNUAL MEETING

To be considered for inclusion in next year's Proxy Statement pursuant to the provisions of Rule 14a-8 of the Exchange Act, stockholder proposals must be received at the Company's offices no later than the close of business on December 16, 2015. Proposals should be addressed to Carmine J. Broccole, Secretary, Standard Motor Products, Inc., 37-18 Northern Blvd., Long Island City, New York 11101.

For any stockholder proposal that is not submitted for inclusion in the next year's Proxy Statement, but is instead sought to be presented directly at the 2016 annual meeting, rules of the Securities and Exchange Commission permit management to vote proxies in its discretion if the Company: (1) receives notice of the proposal before close of business on February 29, 2016, and advises stockholders in the 2016 Proxy Statement about the nature of the matter and how management intends to vote on such matter; or (2) does not receive notice of the proposal prior to the close of business on February 29, 2016. Notice of intention to present proposals at the 2016 annual meeting should be addressed to Carmine J. Broccole, Secretary, Standard Motor Products, Inc., 37-18 Northern Blvd., Long Island City, New York 11101.

FORM 10-K

The Company's 2014 Annual Report has been mailed to stockholders. A copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 is included in the 2014 Annual Report and will also be furnished to any stockholder who requests the same free of charge (except for exhibits thereto for which a nominal fee covering reproduction and mailing expenses will be charged). Requests should be addressed to the Secretary of the Company at 37-18 Northern Blvd., Long Island City, NY 11101. The 2014 Annual Report is also available at our website at www.smpcorp.com under "Investor Relations – Financial Reporting – Annual Reports."

"HOUSEHOLDING" OF PROXY MATERIALS AND ANNUAL REPORTS FOR RECORD OWNERS

The SEC rules permit us, with your permission, to deliver a single proxy statement and annual report to any household at which two or more shareholders of record reside at the same address. Each shareholder will continue to receive a separate proxy. This procedure, known as "householding," reduces the volume of duplicate information you receive and helps to reduce our expenses. Shareholders of record voting by mail can choose this option by marking the appropriate box on the proxy included with this proxy statement and shareholders of record voting by telephone or over the Internet can choose this option by following the instructions provided by telephone or over the Internet, as applicable. Once given, a shareholder's consent will remain in effect until such shareholder revokes it by notifying our Secretary as described above. If you revoke your consent, we will begin sending you individual copies of future mailings of these documents within 30 days after we receive your revocation notice. Shareholders of record who elect to participate in householding may also request a separate copy of future proxy statements and annual reports by contacting the Secretary of the Company department as described above.

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OTHER MATTERS

On the date this Proxy Statement went to press, management knew of no other business that will be presented for action at the Annual Meeting. In the event that any other business should come before the Annual Meeting, it is the intention of the proxy holders named by proxy to take such action as shall be in accordance with their best judgment.

By Order of the Board of Directors

Carmine J. Broccole
Vice President General Counsel
and Secretary

Dated: April 14, 2015

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APPENDIX A

RECONCILIATION OF
GAAP TO NON-GAAP FINANCIAL MEASURES

The table below illustrates how the non-GAAP financial measures, earnings from continuing operations and diluted earnings per share from continuing operations, excluding non-operational gains and losses identified in the table below, reconcile with comparable GAAP financial measures. The Company believes that these non-GAAP measures are meaningful because they provide a view of the Company with respect to ongoing operating results. Non-operational gains and losses represent significant charges or credits that are important to an understanding of the Company's overall operating results in the periods presented. Such non-GAAP measures are not recognized in accordance with generally accepted accounting principles in the United States and should not be viewed as an alternative to comparable GAAP measures of performance.

(In thousands, except per share data)

Earnings from Continuing Operations	2013	2014
GAAP Earnings from Continuing Operations	$53,043	$52,899
Litigation Charge (Net of Tax)	-	6,390
Restructuring and Integration Expenses (Net of Tax)	2,014	718
Reversal of LT Tax Liability	-	(350)
Certain Tax Credits and Production Deductions Finalized in Period	(374)	(361)
Gain from Sale of Buildings (Net of Tax)	(629)	(629)
Non-GAAP Earnings from Continuing Operations	$54,054	$58,667

Diluted Earnings Per Share from Continuing Operations	2013	2014
GAAP Diluted Earnings Per Share from Continuing Operations	$2.28	$2.28
Litigation Charge (Net of Tax)	-	0.28
Restructuring and Integration Expenses (Net of Tax)	0.09	0.03
Reversal of LT Tax Liability	-	(0.02)
Certain Tax Credits and Production Deductions Finalized in Period	(0.02)	(0.02)
Gain from Sale of Buildings (Net of Tax)	(0.03)	(0.03)
Non- GAAP Diluted Earnings Per Share from Continuing Operations	$2.32	$2.52

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STANDARD MOTOR PRODUCTS, INC.
37-18 NORTHERN BOULEVARD
LONG ISLAND CITY, NY 11101

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

Electronic Delivery of Future PROXY MATERIALS
If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge,

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: M84955-P63277 KEEP THIS PORTION FOR YOUR RECORDS THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. STANDARD MOTOR PRODUCTS, INC. For All Withhold All For All Except ! To withhold authority to vote for any individual nominee(s), mark “For All Except” and write the number(s) of the nominee(s) on the line below. STANDARD MOTOR PRODUCTS, INC. 37-18 NORTHERN BOULEVARD LONG ISLAND CITY, NY 11101 VOTE BY INTERNET - www.proxyvote.com Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. Electronic Delivery of Future PROXY MATERIALS If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years. VOTE BY PHONE - 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions. VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. STANDARD MOTOR PRODUCTS , INC. 2.Ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015. 3. Approval of non-binding, advisory resolution on the compensation of our named executive officers. For address changes and/or comments, please check this box and write them on the back where indicated. NOTE: In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment thereof. 01) Pamela Forbes Lieberman 02) Joseph W. McDonnell 03) Alisa C. Norris 04) Arthur S. Sills 05) Lawrence I. Sills 1. Election of Directors Nominees: The Board of Directors recommends you vote FOR all of the following nominees: The Board of Directors recommends you vote FOR the following proposals: 06) Peter J. Sills 07) Frederick D. Sturdivant 08) William H. Turner 09) Richard S. Ward 10) Roger M. Widmann Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer. Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com.

M84956-P63277

STANDARD MOTOR PRODUCTS, INC.
Annual Meeting of Stockholders
May 14, 2015 at 2:00 p.m.
This proxy is solicited by the Board of Directors

The undersigned stockholder(s) of STANDARD MOTOR PRODUCTS, INC. (the "Company") hereby appoint(s) LAWRENCE I. SILLS, JOHN P. GETHIN, ERIC P. SILLS and JAMES J. BURKE as Proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and vote, as designated on this Proxy, all of the shares of the Company's Common Stock held of record by the undersigned on April 2, 2015 at the Annual Meeting of Stockholders of the Company, to be held at the offices of Kelley Drye & Warren LLP, 101 Park Avenue, New York, NY 10178, on May 14, 2015, or at any adjournment thereof.

THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED "FOR" ALL OF THE NOMINEES LISTED IN PROPOSAL NO. 1 AND "FOR" PROPOSALS NO. 2 AND 3. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE ANNUAL MEETING.

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

Continued and to be signed on reverse side