Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

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 1-1361

Tootsie Roll Industries, Inc.

(Exact Name of Registrant as Specified in its Charter)

VIRGINIA	22-1318955
(State of Incorporation)	(I.R.S. Employer Identification No.)

7401 South Cicero Avenue, Chicago, Illinois	60629
(Address of Principal Executive Offices)	(Zip Code)

773-838-3400

(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. 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) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

`	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
Large accelerated filer				

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (June 30, 2018).

Class	Outstanding
Common Stock, $.69 4/9 par value	38,645,382
Class B Common Stock, $.69 4/9 par value	25,604,679

Table of Contents

TOOTSIE ROLL INDUSTRIES, INC.

June 30, 2018

INDEX

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See "Forward-Looking Statements" under Part I — Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TOOTSIE ROLL INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands) (Unaudited)

	June 30,2018	December 31, 2017	June 30,2017
ASSETS			
CURRENT ASSETS:			
Cash & cash equivalents	$ 38,334	$ 96,314	$ 57,804
Restricted cash	396	406	415
Investments	65,211	41,606	71,940
Trade accounts receivable, less allowances of $1,819, $1,921 & $1,944	37,222	47,354	31,254
Other receivables	6,420	5,425	6,610
Inventories:			
Finished goods & work-in-process	63,548	31,922	64,980
Raw material & supplies	28,029	22,905	29,606
Income taxes receivable and prepaid	13,873	12,974	-
Prepaid expenses	7,132	12,014	5,207
Total current assets	260,165	270,920	267,816
PROPERTY, PLANT & EQUIPMENT, at cost:			
Land	21,945	21,962	22,202
Buildings	118,478	118,491	116,547
Machinery & equipment	380,778	381,665	369,667
Construction in progress	17,726	4,866	10,245
	538,927	526,984	518,661
Less-accumulated depreciation	356,152	348,012	339,871
Net property, plant and equipment	182,775	178,972	178,790
OTHER ASSETS:			

Goodwill	73,237	73,237	73,237
Trademarks	175,024	175,024	175,024
Investments	192,181	190,510	196,308
Split dollar officer life insurance	26,042	26,042	26,042
Prepaid expenses and other assets	13,870	15,817	40
Deferred income taxes	421	424	-
Total other assets	480,775	481,054	470,651
Total assets	$ 923,715	$ 930,946	$ 917,257

(The accompanying notes are an integral part of these statements.)

Table of Contents

(in thousands except per share data) (Unaudited)

	June 30,2018	December 31, 2017	June 30,2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	$ 16,700	$ 11,928	$ 13,819
Bank loans	420	440	334
Dividends payable	5,783	5,660	5,692
Accrued liabilities	37,808	45,157	44,266
Postretirement health care	603	603	513
Total current liabilities	61,314	63,788	64,624
NONCURRENT LIABILITIES:			
Deferred income taxes	41,241	41,457	44,257
Postretirement health care	13,062	12,894	11,832
Industrial development bonds	7,500	7,500	7,500
Liability for uncertain tax positions	4,902	4,817	5,361
Deferred compensation and other liabilities	69,665	66,686	80,161
Total noncurrent liabilities	136,370	133,354	149,111
TOOTSIE ROLL INDUSTRIES, INC. SHAREHOLDERS' EQUITY:			
Common stock, \$.69-4/9 par value- 120,000 shares authorized; 38,645, 37,960 & 38,319, respectively, issued	26,837	26,361	26,610
Class B common stock, \$.69-4/9 par value- 40,000 shares authorized; 25,605, 24,891 & 24,918, respectively, issued	17,781	17,285	17,304
Capital in excess of par value	699,965	656,752	670,477
Retained earnings	7,020	57,225	9,615
Accumulated other comprehensive loss	(23,501)	(21,791)	(18,581)
Treasury stock (at cost)- 88, 85 & 85 shares, respectively	(1,992)	(1,992)	(1,992)
Total Tootsie Roll Industries, Inc. shareholders' equity	726,110	733,840	703,433
Noncontrolling interests	(79)	(36)	89
Total equity	726,031	733,804	703,522
Total liabilities and shareholders' equity	$ 923,715	$ 930,946	$ 917,257

(The accompanying notes are an integral part of these statements.)

Table of Contents

TOOTSIE ROLL INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF

EARNINGS AND RETAINED EARNINGS

(in thousands except per share amounts) (Unaudited)

	Quarter Ended		Year to Date Ended	
	June 30,2018	June 30,2017	June 30,2018	June 30,2017
Net product sales	$ 105,623	$ 104,897	$ 206,482	$ 208,322
Rental and royalty revenue	1,186	899	2,127	1,929
Total revenue	106,809	105,796	208,609	210,251
Product cost of goods sold	67,481	65,381	133,315	130,919
Rental and royalty cost	208	251	475	517
Total costs	67,689	65,632	133,790	131,436
Product gross margin	38,142	39,516	73,167	77,403
Rental and royalty gross margin	978	648	1,652	1,412
Total gross margin	39,120	40,164	74,819	78,815
Selling, marketing and administrative expenses	28,752	26,555	54,609	53,280
Earnings from operations	10,368	13,609	20,210	25,535
Other income (loss), net	3,363	2,713	3,884	4,941
Earnings before income taxes	13,731	16,322	24,094	30,476
Provision for income taxes	3,261	4,472	5,523	8,615
Net earnings	10,470	11,850	18,571	21,861
Less: Net earnings (loss) attributable to noncontrolling interests	(19)	(45)	(43)	(85)
Net earnings attributable to Tootsie Roll Industries, Inc.	$ 10,489	$ 11,895	$ 18,614	$ 21,946
Net earnings attributable to Tootsie Roll Industries, Inc. per share	$ 0.16	$ 0.18	$ 0.29	$ 0.34
Dividends per share *	$ 0.09	$ 0.09	$ 0.18	$ 0.18
Average number of shares outstanding	64,190	65,138	64,318	65,308
Retained earnings at beginning of period	$ 2,306	$ 3,405	$ 57,225	$ 43,833
Net earnings attributable to Tootsie Roll Industries, Inc.	10,489	11,895	18,614	21,946
Adopted ASU's (See Note 1)	-	-	2,726	-
Cash dividends	(5,775)	(5,685)	(11,396)	(11,240)

Stock dividends	-	-	(60,149)	(44,924)
Retained earnings at end of period	$ 7,020	$ 9,615	$ 7,020	$ 9,615

*Does not include 3% stock dividend to shareholders of record on 3/6/18 and 3/7/17.

(The accompanying notes are an integral part of these statements.)

TOOTSIE ROLL INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE EARNINGS

(in thousands except per share amounts) (Unaudited)

	Quarter Ended		Year to Date Ended	
	June 30,2018	June 30,2017	June 30,2018	June 30,2017
Net earnings	$ 10,470	$ 11,850	$ 18,571	$ 21,861
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	(1,674)	991	(62)	3,091
Pension and postretirement reclassification adjustments:				
Unrealized gains (losses) for the period on postretirement and pension benefits	-	(175)	-	91
Less: reclassification adjustment for (gains) losses to net earnings	(331)	(366)	(662)	(731)
Unrealized gains (losses) on postretirement and pension benefits	(331)	(541)	(662)	(640)
Investments:				
Unrealized gains (losses) for the period on investments	(30)	149	(1,280)	379
Less: reclassification adjustment for (gains) losses to net earnings	-	-	-	-
Unrealized gains (losses) on investments	(30)	149	(1,280)	379
Derivatives:				
Unrealized gains (losses) for the period on derivatives	(377)	(1,204)	(1,849)	(1,754)
Less: reclassification adjustment for (gains) losses to net earnings	548	985	835	(137)
Unrealized gains (losses) on derivatives	171	(219)	(1,014)	(1,891)
Total other comprehensive income (loss), before tax	(1,864)	380	(3,018)	939
Income tax benefit (expense) related to items of other comprehensive income	46	333	715	726
Total comprehensive earnings	8,652	12,563	16,268	23,526
Comprehensive earnings (loss) attributable to noncontrolling interests	(19)	(45)	(43)	(85)
Total comprehensive earnings attributable to Tootsie Roll Industries, Inc.	$ 8,671	$ 12,608	$ 16,311	$ 23,611

(The accompanying notes are an integral part of these statements.)

Table of Contents

TOOTSIE ROLL INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands) (Unaudited)

	Year to Date Ended	
	June 30,2018	June 30,2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 18,571	$ 21,861
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	9,154	9,338
Deferred income taxes	(472)	21
Amortization of marketable security premiums	888	1,216
Changes in operating assets and liabilities:		
Accounts receivable	10,038	12,535
Other receivables	(1,308)	(4,522)
Inventories	(36,818)	(36,460)
Prepaid expenses and other assets	6,786	2,138
Accounts payable and accrued liabilities	8	1,820
Income taxes payable	(814)	79
Postretirement health care benefits	(586)	(423)
Deferred compensation and other liabilities	948	776
Net cash from operating activities	6,395	8,379
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(11,662)	(7,427)
Purchases of trading securities	(3,562)	(3,007)
Sales of trading securities	817	435
Purchase of available for sale securities	(49,742)	(40,622)
Sale and maturity of available for sale securities	27,057	10,985
Net cash used in investing activities	(37,092)	(39,636)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Shares purchased and retired	(15,803)	(20,140)
Dividends paid in cash	(11,435)	(11,282)
Proceeds from bank loans	1,264	724
Repayment of bank loans	(1,255)	(965)
Net cash used in financing activities	(27,229)	(31,663)
Effect of exchange rate changes on cash	(64)	1,612
Decrease in cash and cash equivalents	(57,990)	(61,308)
Cash, cash equivalents and restricted cash at beginning of year	96,720	119,527
Cash, cash equivalents and restricted cash at end of quarter	$ 38,730	$ 58,219
Supplemental cash flow information:		

Income taxes paid/(received), net	$ 6,661	$ 8,798
Interest paid	$ 54	$ 31
Stock dividend issued	$ 60,538	$ 69,739

(The accompanying notes are an integral part of these statements.)

Table of Contents

TOOTSIE ROLL INDUSTRIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

(in thousands except per share amounts) (Unaudited)

Note 1 — Significant Accounting Policies

General Information

Foregoing data has been prepared from the unaudited financial records of Tootsie Roll Industries, Inc. (the Company) and in the opinion of management all adjustments, which are of a normal recurring nature, necessary for a fair statement of the results for the interim period have been reflected. Certain amounts previously reported have been reclassified to conform to the current year presentation. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company's Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K").

Results of operations for the period ended June 30, 2018 are not necessarily indicative of results to be expected for the year to end December 31, 2018 because of the seasonal nature of the Company's operations. Historically, the third quarter has been the Company's largest sales quarter due to pre-Halloween sales.

Revenue Recognition

The Company's revenues, primarily net product sales, principally result from the sale of goods, reflect the consideration to which the Company expects to be entitled generally based on customer purchase orders. The Company records revenue based on a five-step model in accordance with Accounting Standards Codification ("ASC") Topic 606 which became effective January, 1, 2018. Adjustments for estimated customer cash discounts upon payment, discounts for price adjustments, product returns, allowances, and certain advertising and promotional costs, including consumer coupons, are variable consideration and are recorded as a reduction of product sales revenue in the same period the related product sales are recorded. Such estimates are calculated using historical averages adjusted for any expected changes due to current business conditions and experience. A net product sale is recorded when the

Company delivers the product to the customer, or in certain instances, the customer picks up the goods at the Company's distribution center, and thereby obtains control of such product. Amounts billed and due from our customers are classified as accounts receivables on the balance sheet and require payment on a short-term basis. Accounts receivable are unsecured. Shipping and handling costs are included in selling, marketing and administrative expenses. We also recognize a minor amount of royalty income (less than .2% of our consolidated net sales) from sales-based licensing arrangements, pursuant to which revenue is recognized as the third-party licensee sales occur. Rental income (less than 1% of our consolidated net sales) is not considered revenue from contracts from customers. See "Recently Adopted Accounting Pronouncements" for further discussion.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, (ASC Topic 606) which supersedes nearly all existing revenue recognition guidance. Subsequent to the issuance of ASC Topic 606, the FASB clarified and amended the guidance through several Accounting Standard Updates; hereinafter the collection of revenue guidance is referred to as "ASC 606". The core principle of ASC 606 is that revenue should be recognized to depict 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 ASU 2014-09 and related amendments (ASC 606) as of January 1, 2018 using the modified retrospective method. As a result of adoption, the cumulative impact to retained earnings at January 1, 2018 was a net after-tax increase of $3,319 ($4,378 pre-tax). This adjustment principally changed the timing of recognition of certain trade promotions and related adjustments thereto which affect net product sales. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company expects the impact of the adoption of the new standard to be immaterial to its net income on an ongoing basis. Revenue continues to be recognized at a point in time for product sales when products are delivered to or picked up by the customer as discussed above.

Table of Contents

In February 2018, the FASB issued ASU 2018-02 which provides financial statement preparers with an option to reclassify stranded tax effects within Accumulated Other Comprehensive Income (AOCI) to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The guidance is effective for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in any interim period. The amendments should be applied either in the period adopted or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company early adopted ASU 2018-02 on January 1, 2018 with a $593 cumulative-effect adjustment from AOCI to decrease retained earnings related to certain tax effects of unrealized gains and losses on available-for-sale securities and other post-retirement benefits. No other income tax effects related to the application of the Tax Cuts and Jobs Act were reclassified from AOCI to retained earnings.

In March 2018, the FASB issued ASU 2018-05 which adds various Securities and Exchange Commission ("SEC") paragraphs pursuant to the issuance of the December 2017 SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), which was effective immediately. The SEC issued SAB 118 to address concerns about reporting entities' ability to timely comply with the accounting requirements to recognize all of the effects of the Tax Cuts and Jobs Act in the period of enactment. SAB 118 allows disclosure that timely determination of some or all of the income tax effects from the Tax Cuts and Jobs Act are incomplete by the due date of the financial statements and if possible to provide a reasonable estimate. The Company has accounted for the tax effects of the Tax Cuts and Jobs Act under the guidance of SAB 118, on a provisional basis. The accounting for certain income tax effects is incomplete, but the Company has determined reasonable estimates for those effects and has recorded provisional amounts in the condensed consolidated financial statements as of June 30, 2018 and December 31, 2017.

In January 2016, the FASB issued ASU 2016-01, as amended by ASU 2018-03, issued in February 2018, which among other changes in accounting and disclosure requirements, replaces the cost method of accounting for non-marketable equity securities with a model for recognizing impairments and observable price changes, and also eliminates the available-for-sale classification for marketable equity securities. The Company adopted this guidance as of January 1, 2018. The Company does not have any non-marketable securities, and therefore, the adoption of this guidance did not have any impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company retrospectively adopted this guidance effective January 1, 2018. The Company's adoption of this guidance did not have a material impact on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18 which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those years using a retrospective transition method to each period presented. The Company retrospectively adopted this guidance as of January 1, 2018. The Company's adoption of this guidance did not have a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07 which requires companies with other postretirement employee benefit plans to present the service cost component of net periodic benefit cost in the same income statement line item as other compensation costs. The other components of net periodic benefit cost will be presented separately and not included in operating income. The standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company retrospectively adopted this guidance effective January 1, 2018. The Company's adoption of this guidance did not have a material impact on its consolidated financial statements.

Table of Contents

Recently Issued Accounting Pronouncements - Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02 which amends existing guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. This ASU also provides clarifications surrounding the presentation of the effects of leases in the income statement and statement of cash flows. This guidance will be effective for the Company on January 1, 2019. The Company owns substantially all of its personal property and real estate, but is currently evaluating this new guidance to determine the impact it will have on its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, guidance that amends hedge accounting. Under the new guidance, more hedging strategies will be eligible for hedge accounting and the application of hedge accounting is simplified. The new guidance amends presentation and disclosure requirements, and how effectiveness is assessed. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted. The Company is currently evaluating the impact that the new guidance will have on its consolidated financial statements.

Note 2 — Average Shares Outstanding

The average number of shares outstanding for six months 2018 reflects stock purchases of 472 shares for $15,803 and a 3% stock dividend of 1,869 shares distributed on April 6, 2018. The average number of shares outstanding for six months 2017 reflects stock purchases of 536 shares for $20,140 and a 3% stock dividend of 1,847 shares distributed on April 17, 2017.

Note 3 — Income Taxes

The Company is subject to taxation in the U.S. and various state and foreign jurisdictions. The Company remains subject to examination by U.S. federal and state and foreign tax authorities for the years 2014 through 2016. With few exceptions, the Company is no longer subject to examination by tax authorities for the year 2013 and prior. The consolidated effective tax rates were 23.7% and 27.4% in second quarter 2018 and 2017, respectively, and 22.9% and 28.3% in first half 2018 and 2017, respectively. The lower effective tax rate in second quarter and first half 2018 compared to second quarter and first half 2017 principally reflects the lower federal tax rate of 21% effective for 2018.

The Company believes it has obtained and analyzed all reasonably available information necessary to record the effects of the change in tax law and considers its accounting for the effects of the 2017 Tax Reform Act to be provisional as of June 30, 2018. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional regulatory guidance that may be issued by the Internal Revenue Service, and actions the Company may take as a result of the Tax Reform Act.

Note 4 — Fair Value Measurements

Current accounting guidance defines fair value as the price that would be received on the sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Guidance requires disclosure of the extent to which fair value is used to measure financial assets and liabilities, the inputs utilized in calculating valuation measurements, and the effect of the measurement of significant unobservable inputs on earnings, or changes in net assets, as of the measurement date. Guidance establishes a three-level valuation hierarchy based upon the transparency of inputs utilized in the measurement and valuation of financial assets or liabilities as of the measurement date. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability. The use of observable and unobservable inputs is reflected in the hierarchy assessment disclosed in the table below.

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Company held certain financial assets that are required to be measured at fair value on a recurring basis. These included derivative hedging instruments related to the purchase

Table of Contents

of certain raw materials and foreign currencies, investments in trading securities and available for sale securities. The Company's available for sale securities principally consist of corporate and municipal bonds that are publicly traded and variable rate demand notes and obligations with interest rates that generally reset weekly and the security can be "put" back and sold weekly. Trading securities principally consist of equity mutual funds that are publicly traded.

The following table presents information about the Company's financial assets and liabilities measured at fair value as of June 30, 2018, December 31, 2017 and June 30, 2017 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

	Estimated Fair Value June 30,2018			
	Total	Input Levels Used		
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 38,334	$ 38,334	$ -	$ -
Available for sale securities	192,392	-	192,392	-
Foreign currency forward contracts	-	-	-	-
Commodity futures contracts	(904)	(904)	-	-
Trading securities	65,000	65,000	-	-
Total assets measured at fair value	$ 294,822	$ 102,430	$ 192,392	$ -

	Estimated Fair Value December 31, 2017			
	Total	Input Levels Used		
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 96,314	$ 96,314	$ -	$ -
Available for sale securities	171,596	1,200	170,396	-
Foreign currency forward contracts	79	-	79	-
Commodity futures contracts, net	32	32	-	-
Trading securities	60,520	60,520	-	-
Total assets measured at fair value	$ 328,541	$ 158,066	$ 170,475	$ -

	Estimated Fair Value June 30,2017			
	Total	Input Levels Used		
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 57,804	$ 57,804	$ -	$ -
Available for sale securities	192,983	2,406	190,577	-
Foreign currency forward contracts	83	-	83	-
Commodity futures contracts	(348)	(348)	-	-
Trading securities	75,265	75,265	-	-
Total assets measured at fair value	$ 325,787	$ 135,127	$ 190,660	$ -

The fair value of the Company's industrial revenue development bonds at June 30, 2018, December 31, 2017 and June 30, 2017 were valued using Level 2 inputs which approximates the carrying value of $7,500 for the respective periods. Interest rates on these bonds are reset weekly based on current market conditions.

Note 5 — Derivative Instruments and Hedging Activities

The Company uses derivative instruments, including foreign currency forward contracts, commodity futures contracts and commodity option contracts, to manage its exposures to foreign exchange and commodity prices. Commodity futures contracts and most commodity option contracts are intended and effective as hedges of market price risks associated with the anticipated purchase of certain raw materials (primarily sugar). Foreign currency forward contracts are intended and effective as hedges of the Company's exposure to the variability of cash flows, primarily related to the foreign exchange rate changes of products manufactured in Canada and sold in the United States. The Company does not engage in trading or other speculative use of derivative instruments.

Table of Contents

The Company recognizes all derivative instruments as either assets or liabilities at fair value in the Condensed Consolidated Statement of Financial Position. Derivative assets are recorded in other receivables and derivative liabilities are recorded in accrued liabilities. The Company uses hedge accounting for its foreign currency and commodity derivative instruments as discussed above. Derivatives that qualify for hedge accounting are designated as cash flow hedges by formally documenting the hedge relationships, including identification of the hedging instruments, the hedged items and other critical terms, as well as the Company's risk management objectives and strategies for undertaking the hedge transaction.

Changes in the fair value of the Company's cash flow hedges are recorded in accumulated other comprehensive loss, net of tax, and are reclassified to earnings in the periods in which earnings are affected by the hedged item. Substantially all amounts reported in accumulated other comprehensive loss for commodity derivatives are expected to be reclassified to cost of goods sold. Approximately $464 of this accumulated comprehensive loss is expected to be reclassified to earnings in 2018 and a $440 accumulated comprehensive loss is expected to be reclassified as a charge to earnings in 2019.

The following table summarizes the Company's outstanding derivative contracts and their effects on its Condensed Consolidated Statements of Financial Position at June 30, 2018, December 31, 2017 and June 30, 2017:

	June 30,2018		
	Notional Amounts	Assets	Liabilities
Derivatives designated as hedging instruments:			
Foreign currency forward contracts	$ -	$ -	$ -
Commodity futures contracts	9,058	11	(915)
Total derivatives		$ 11	$ (915)

	December 31, 2017		
	Notional Amounts	Assets	Liabilities
Derivatives designated as hedging instruments:			
Foreign currency forward contracts	$ 919	$ 79	$ -
Commodity futures contracts	13,840	284	(252)
Total derivatives		$ 363	$ (252)

	June 30,2017		
	Notional Amounts	Assets	Liabilities
Derivatives designated as hedging instruments:			

Foreign currency forward contracts	$ 3,200	$ 83	$ -
Commodity futures contracts	12,543	74	(422)
Total derivatives		$ 157	$ (422)

Table of Contents

The effects of derivative instruments on the Company's Condensed Consolidated Statements of Earnings and Retained Earnings and the Condensed Consolidated Statements of Comprehensive Earnings for periods ended June 30, 2018 and June 30, 2017 are as follows:

	For Quarter Ended June 30,2018		
	Gain (Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Earnings	Gain (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings
Foreign currency forward contracts	$ -	$ 20	$ -
Commodity futures contracts	(377)	(568)	-
Total	$ (377)	$ (548)	$ -

	For Quarter Ended June 30,2017		
	Gain (Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Earnings	Gain (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings
Foreign currency forward contracts	$ 125	$ (29)	$ -
Commodity futures contracts	(1,329)	(956)	-
Total	$ (1,204)	$ (985)	$ -

	For Year to Date Ended June 30,2018		
	Gain (Loss) Recognized in OCI	Gain (Loss) Reclassified from Accumulated OCI into Earnings	Gain (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings
Foreign currency forward contracts	$ (11)	$ 67	$ -
Commodity futures contracts	(1,838)	(902)	-
Total	$ (1,849)	$ (835)	$ -

	For Year to Date Ended June 30,2017		
	Gain (Loss)	Gain (Loss) Reclassified from	Gain (Loss) on Amount Excluded from Effectiveness

	Recognized in OCI	Accumulated OCI into Earnings	Testing Recognized in Earnings
Foreign currency forward contracts	$ 148	$ (54)	$ -
Commodity futures contracts	(1,902)	191	-
Total	$ (1,754)	$ 137	$ -

Note 6 — Pension Plans

During 2018 and 2017, the Company received updated notices that the Bakery and Confectionery Union and Industry International Pension Plan (Plan), a multi-employer defined benefit pension plan for certain Company union employees, is in “critical and declining status”, as defined by the Pension Protection Act (PPA) and the Pension Benefit Guaranty Corporation (PBGC), and that the Plan is projected to become insolvent in 2030. The Company has been advised that its withdrawal liability would have been $82,200 if it had withdrawn from the Plan during 2017. Should the Company actually withdraw from the Plan at a future date, a withdrawal liability, which could be higher than the above discussed amount, could be payable to the Plan.

Table of Contents

The Company is currently unable to determine the ultimate outcome of the above discussed matter and therefore, is unable to determine the effects on its consolidated financial statements, but the ultimate outcome or the effects of any modifications to the current rehabilitation plan and possible new "hybrid plan" option discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 2) could be material to its consolidated results of operations or cash flows in one or more future periods. See also the Company's Consolidated Financial Statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations incorporated into the Company's 2017 Form 10-K.

Note 7 — Accumulated Other Comprehensive Earnings (Loss)

Accumulated Other Comprehensive Earnings (Loss) consists of the following components:

	Foreign Currency Translation	Investments	Foreign Currency Derivatives	Commodity Derivatives	Postretirement and Pension Benefits	Accumulated Other Comprehensive Earnings (Loss)
Balance at December 31, 2017	$ (24,262)	$ (889)	$ 51	$ 20	$ 3,289	$ (21,791)
Other comprehensive earnings (loss) before reclassifications	(62)	(970)	(9)	(1,393)	-	(2,434)
Reclassifications from accumulated other comprehensive loss	-	-	(51)	684	(502)	131
Other comprehensive earnings (loss) net of tax	(62)	(970)	(60)	(709)	(502)	(2,303)
Adoption of ASU 2018-02 (See Note 1)	-	(168)	9	4	748	593
Balance at June 30, 2018	$ (24,324)	$ (2,027)	$ -	$ (685)	$ 3,535	$ (23,501)

	Foreign Currency		Foreign Currency	Commodity	Postretirement and Pension	Accumulated Other Comprehensive

Translation	Investments	Derivatives