ANDERSONS INC
Form 10-Q
August 06, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2010

o **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 (State of incorporation or organization)	34-1562374 (I.R.S. Employer Identification No.)
480 W. Dussel Drive, Maumee, Ohio (Address of principal executive offices)	43537 (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 þ No o
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 o No o
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 and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ | Accelerated filer o | Non-accelerated filer o | Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ
The registrant had approximately 18.4 million common shares outstanding, no par value, at July 31, 2010.

THE ANDERSONS, INC.
INDEX

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets June 30, 2010 December 31, 2009 and June 30, 2009	3
Condensed Consolidated Statements of Income Three and six months ended June 30, 2010 and 2009	5
Condensed Consolidated Statement of Cash Flows Six months ended June 30, 2010 and 2009	6
Condensed Consolidated Statements of Shareholders Equity Six months ended June 30, 2010 and 2009	7
Notes to Condensed Consolidated Financial Statements	8
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures about Market Risk	30
Item 4. Controls and Procedures	30
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	31
Item 1A. Risk Factors	31
Item 5. Other Information	
Item 6. Exhibits	31

EX-31.1
EX-31.2
EX-31.3
EX-32.1
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

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

	June 30, 2010	December 31, 2009	June 30, 2009
Current assets:			
Cash and cash equivalents	**$ 204,317**	$ 145,929	$ 179,752
Restricted cash	**3,548**	3,123	4,243
Accounts and notes receivable, net	**132,701**	137,195	130,824
Margin deposits, net	**7,384**	27,012	38,009
Inventories:			
Grain	**129,909**	268,648	107,722
Agricultural fertilizer and supplies	**57,975**	80,194	41,784
Lawn and garden fertilizer and corncob products	**20,600**	32,036	22,906
Retail merchandise	**25,899**	24,066	29,615
Other	**3,611**	2,901	3,057
	237,994	407,845	205,084
Commodity derivative assets current	**14,150**	24,255	48,635
Deferred income taxes	**11,572**	13,284	8,478
Other current assets	**20,604**	28,180	32,086
Total current assets	**632,270**	786,823	647,111
Other assets:			
Commodity derivative assets noncurrent	**389**	3,137	1,354
Other assets and notes receivable, net	**41,192**	25,629	15,386
Equity method investments	**168,098**	157,360	137,895
	209,679	186,126	154,635
Railcar assets leased to others, net	**169,331**	179,154	176,656
Property, plant and equipment:			
Land	**15,301**	15,191	14,566
Land improvements and leasehold improvements	**43,701**	42,495	39,524
Buildings and storage facilities	**133,445**	129,625	121,548
Machinery and equipment	**171,921**	162,810	156,005
Software	**10,115**	10,202	9,527
Construction in progress	**7,871**	2,624	3,822
	382,354	362,947	344,992
Less allowances for depreciation and amortization	**(238,189)**	(230,659)	(224,457)
	144,165	132,288	120,535
Total assets	**$1,155,445**	$1,284,391	$1,098,937

See notes to condensed consolidated financial statements

Table of Contents

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

	June 30, 2010	December 31, 2009	June 30, 2009
Current liabilities:			
Accounts payable for grain	**$ 76,922**	$ 234,396	$ 63,475
Other accounts payable	**115,023**	110,658	90,907
Customer prepayments and deferred revenue	**12,712**	56,698	18,344
Commodity derivative liabilities current	**54,918**	24,871	66,698
Accrued expenses and other current liabilities	**49,408**	41,563	35,047
Current maturities of long-term debt	**23,986**	10,935	35,283
Total current liabilities	**332,969**	479,121	309,754
Other long-term liabilities	**17,472**	16,051	12,026
Commodity derivative liabilities noncurrent	**2,911**	830	4,555
Employee benefit plan obligations	**28,711**	24,949	36,875
Long-term debt, less current maturities	**281,740**	308,026	314,557
Deferred income taxes	**49,085**	49,138	36,871
Total liabilities	**712,888**	878,115	714,638
Shareholders equity:			
The Andersons, Inc. shareholders equity:			
Common shares, without par value (25,000 shares authorized; 19,198 shares issued)	**96**	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)			
Additional paid-in-capital	**176,736**	175,477	174,108
Treasury shares (769, 918 and 941 shares at 6/30/10, 12/31/09 and 6/30/09, respectively; at cost)	**(14,158)**	(15,554)	(15,408)
Accumulated other comprehensive loss	**(26,807)**	(25,314)	(29,266)
Retained earnings	**292,780**	258,662	244,386
Total shareholders equity of The Andersons, Inc.	**428,647**	393,367	373,916
Noncontrolling interest	**13,910**	12,909	10,383
Total shareholders equity	**442,557**	406,276	384,299
Total liabilities, and shareholders equity	**$1,155,445**	$1,284,391	$1,098,937

See notes to condensed consolidated financial statements

Table of Contents

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

	Three months ended June 30,		Six months ended June 30,	
	2010	**2009**	**2010**	**2009**
Sales and merchandising revenues	**$810,999**	$810,954	**$1,532,997**	$1,508,346
Cost of sales and merchandising revenues	**723,445**	737,620	**1,386,893**	1,373,638
Gross profit	**87,554**	73,334	**146,104**	134,708
Operating, administrative and general expenses	**51,107**	46,723	**96,510**	93,253
Interest expense	**4,663**	5,161	**9,298**	10,851
Other income (loss):				
Equity in earnings (loss) of affiliates	**6,667**	784	**16,572**	(2,890)
Other income, net	**1,881**	2,724	**5,535**	3,963
Income before income taxes	**40,332**	24,958	**62,403**	31,677
Income tax provision	**14,553**	9,312	**23,968**	12,118
Net income	**25,779**	15,646	**38,435**	19,559
Net (income) loss attributable to the noncontrolling interest	**(610)**	272	**(1,001)**	1,311
Net income attributable to The Andersons, Inc.	**$ 25,169**	$ 15,918	**$ 37,434**	$ 20,870
Earnings per common share:				
Basic earnings attributable to The Andersons, Inc. common shareholders	**$ 1.37**	$ 0.87	**$ 2.04**	$ 1.15
Diluted earnings attributable to The Andersons, Inc. common shareholders	**$ 1.36**	$ 0.87	**$ 2.02**	$ 1.14
Dividends paid	**$ 0.0900**	$ 0.0875	**$ 0.1775**	$ 0.1725

See notes to condensed consolidated financial statements

Table of Contents

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

	Six months ended June 30, 2010	Six months ended June 30, 2009
Operating Activities		
Net income	**$ 38,435**	$ 19,559
Adjustments to reconcile net income to provided by operating activities:		
Depreciation and amortization	**18,813**	16,212
Bad debt expense (recovery)	**(570)**	90
Equity in (earnings)loss of unconsolidated affiliates, net of distributions received	**(10,738)**	3,260
Gains on sales of railcars and related leases	**(3,989)**	(1,168)
Excess tax benefit from share-based payment arrangement	**(766)**	(340)
Deferred income taxes	**2,799**	11,080
Stock based compensation expense	**1,365**	1,518
Other	**104**	2,959
Changes in operating assets and liabilities:		
Accounts and notes receivable	**5,296**	(4,535)
Inventories	**173,232**	228,892
Commodity derivatives and margin deposits	**71,535**	14,169
Prepaid expenses and other assets	**9,145**	60,214
Accounts payable for grain	**(161,733)**	(152,832)
Other accounts payable and accrued expenses	**(37,736)**	(67,801)
Net cash provided by operating activities	**105,192**	131,277
Investing Activities		
Acquisition of business	**(7,214)**	
Investment in convertible preferred securities	**(13,100)**	
Purchases of railcars	**(8,956)**	(11,884)
Proceeds from sale of railcars	**12,637**	4,943
Purchases of property, plant and equipment	**(15,245)**	(7,290)
Proceeds from sale of property, plant and equipment	**92**	128
Change in restricted cash	**(425)**	(316)
Investments in affiliates		(100)
Net cash used in investing activities	**(32,211)**	(14,519)
Financing Activities		
Proceeds received from issuance of long-term debt	**2,460**	4,744
Payments on long-term debt	**(15,695)**	(16,655)
Proceeds from sale of treasury shares to employees and directors	**1,290**	755
Purchase of treasury stock		(229)
Payments of debt issuance costs	**(151)**	(4,494)
Dividends paid	**(3,263)**	(3,149)

Excess tax benefit from share-based payment arrangement	**766**	340
Net cash used in financing activities	**(14,593)**	(18,688)
Increase in cash and cash equivalents	**58,388**	98,070
Cash and cash equivalents at beginning of period	**145,929**	81,682
Cash and cash equivalents at end of period	**$ 204,317**	$ 179,752

See notes to condensed consolidated financial statements

Table of Contents

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

	The Andersons, Inc. Shareholders						
	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interest	Total
Balance at December 31, 2008	$ 96	$ 173,393	$ (16,737)	$ (30,046)	$ 226,707	$ 11,694	$ 365,107
Net income (loss)					20,870	(1,311)	19,559
Other comprehensive income:							
Unrecognized actuarial gain and prior service costs (net of income tax of $263)				452			452
Cash flow hedge activity (net of income tax of $192)				328			328
Comprehensive income							20,339
Purchase of treasury shares (20 shares)			(229)				(229)
Stock awards, stock option exercises and other shares issued to employees and directors (149 shares)		715	1,558				2,273
Dividends declared ($0.175 per common share)					(3,191)		(3,191)
Balance at June 30, 2009	96	174,108	(15,408)	(29,266)	244,386	10,383	384,299
Balance at December 31, 2009	96	175,477	(15,554)	(25,314)	258,662	12,909	406,276
Net income					**37,434**	**1,001**	**38,435**
Other comprehensive income:							

Unrecognized actuarial loss and prior service costs (net of income tax of $993)				**(1,263)**			**(1,263)**
Cash flow hedge activity (net of income tax of $147)				**(230)**			**(230)**
Comprehensive income							**36,942**
Stock awards, stock option exercises and other shares issued to employees and directors (149 shares)		**1,259**	**1,396**				**2,655**
Dividends declared ($0.18 per common share)					**(3,316)**		**(3,316)**
Balance at June 30, 2010	**$ 96**	**$ 176,736**	**$ (14,158)**	**$ (26,807)**	**$ 292,780**	**$ 13,910**	**$ 442,557**

See notes to condensed consolidated financial statements

Table of Contents

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

Note A: Basis of Presentation and Consolidation

These consolidated financial statements include the accounts of The Andersons, Inc. and its wholly owned and controlled subsidiaries (the Company). All significant 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 recurring items, considered necessary for a fair presentation of the results of operations for the periods indicated, have been made. Operating results for the three and six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2010.

The year-end condensed consolidated balance sheet data at December 31, 2009 was derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. A condensed consolidated balance sheet as of June 30, 2009 has been included as the Company operates in several seasonal industries.

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, 2009 (the 2009 Form 10-K).

During the first quarter of 2010, ASU 2009-17 became effective for the Company. ASU 2009-17 provides guidance for identifying entities for which analysis of voting interests, and the holding of those voting interests, is not effective in determining whether a controlling financial interest exists. These entities are considered variable interest entities (VIEs). The Company holds investments in four significant equity method investments that were evaluated under ASU 2009-17 to determine whether they were considered VIEs of the Company and subject to consolidation under this standard. The Company concluded that these entities were not VIEs and therefore not subject to consolidation under this standard. During the second quarter of 2010, the Company made an investment in an entity that is considered a VIE, however. See Note I for further information.

New Accounting Pronouncements

ASC 820 *Improving Disclosures about Fair Value Measurements* became effective for the Company beginning with the first quarter of 2010. ASC 820 provides additional guidance and enhances the disclosures regarding fair value measurements. ASC 820 also requires new disclosures regarding transfers between levels of fair value measurements. ASC 820 did not have a material impact to the Company s disclosures.

Note B: Derivatives

The Company s operating results are affected by changes to commodity prices. The Company has established unhedged grain position limits (the amount of grain, 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 grain owned and forward grain and ethanol purchase and sale contracts, the Company enters into regulated commodity futures contracts for corn, soybeans, wheat, oats and ethanol as well as over-the-counter contracts for both grain and ethanol. The Company s forward contracts are for physical delivery of the commodity in a future period. Contracts to purchase grain from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for

Table of Contents

the sale of grain to processors or other consumers generally do not extend beyond one year. The terms of the contracts for the purchase and sale of grain and ethanol are consistent with industry standards. The Company, although to a lesser extent, also enters into option contracts for the purpose of providing pricing features to its customers and to manage price risk on its own inventory.

All of these contracts are considered 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 records forward commodity contracts on the balance sheet as assets or liabilities, as appropriate, and accounts for them at estimated fair value, the same method it uses to value its grain inventory. The estimated fair value of the regulated commodity futures and options contracts as well as the over-the-counter contracts is recorded on a net basis (offset against cash collateral posted or received) within margin deposits or accrued expenses and other current liabilities on the balance sheet. 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.

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 sales and merchandising revenues in the statements of income.

The following table presents the fair value of the Company s commodity derivatives as of June 30, 2010, December 31, 2009 and June 30, 2009, and the balance sheet line item in which they are located:

(in thousands)	June 30, 2010	December 31, 2009	June 30, 2009
Forward commodity contracts included in Commodity derivative asset current	$ 14,150	$ 24,255	$ 48,635
Forward commodity contracts included in Commodity derivative asset	389	3,137	1,354
Forward commodity contracts included in Commodity derivative liability -current	(54,918)	(24,871)	(66,698)
Forward commodity contracts included in Commodity derivative liability	(2,911)	(830)	(4,555)
Regulated futures and options contracts included in Margin deposits (a)	7,466	(11,354)	38,566
Over-the-counter contracts included in Margin deposits (a)	17,593	(1,824)	5,815
Over-the-counter contracts included in accrued expenses and other current liabilities (a)		(4,193)	
Total net fair value of commodity derivatives	$(18,231)	$(15,680)	$ 23,117

(a) The fair value of futures, options and over-the-counter contracts are offset by cash collateral posted or received and included as a net

amount in the Consolidated Balance Sheets. See below for additional information.

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. Note 1 of the Company s 2009 Form 10-K provides information surrounding the Company s various master netting arrangements related to its futures, options and over-the-counter contracts. At June 30, 2010, December 31, 2009 and June 30, 2009, the Company s margin deposit assets and margin deposit liabilities consisted of the following:

Table of Contents

(in thousands)	June 30, 2010 Margin deposit assets	June 30, 2010 Margin deposit liabilities	December 31, 2009 Margin deposit assets	December 31, 2009 Margin deposit liabilities	June 30, 2009 Margin deposit assets	June 30, 2009 Margin deposit liabilities
Collateral paid	$	$	$ 40,190	$ 2,228	$ 7,838	$
Collateral received	(17,675)	(7,467)			(14,210)	
Fair value of derivatives	25,059		(13,178)	(4,193)	44,381	
Balance at end of period	$ 7,384	$(7,467)	$ 27,012	$(1,965)	$ 38,009	$

The gains included in the Company s Consolidated Statement of Income and the line items in which they are located for the three and six months ended June 30, 2010 are as follows:

(in thousands)	Three months ended June 30, 2010	Six months ended June 30, 2010
Gains on commodity derivatives included in sales and merchandising revenues	$7,645	$ 52,348

At June 30, 2010, the Company had the following bushels, tons and gallons outstanding (on a gross basis) on all commodity derivative contracts:

Commodity	Number of bushels (in thousands)	Number of tons (in thousands)	Number of gallons (in thousands)
Corn	235,175		
Soybeans	26,254		
Wheat	6,509		
Oats	14,598		
Soymeal		50	
Ethanol			525,906
Total	282,536	50	525,906

Interest Rate Derivatives

The Company periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. Information regarding the nature and terms of the Company s interest rate derivatives is presented in Note 13 Derivatives, in the Company s 2009 Annual Report on Form 10-K and such information is materially consistent with that as of June 30, 2010. The fair values of these derivatives are not material for any of the periods presented and are included in the Company s consolidated balance sheet in either prepaid expenses or other current liabilities (if short-term in nature) or in other assets or other long-term liabilities (if non-current in nature). The impact to the Company s results of operations related to these interest rate derivatives was not material for any period presented.

Foreign Currency Derivatives

The Company has entered into a zero cost foreign currency collar to hedge changes in conversion rates between the Canadian dollar and the U.S. dollar for railcar leases in Canada. Information regarding the nature and terms of this derivative is presented in Note 13 Derivatives, in the Company s 2009 Annual Report on Form 10-K and such information is materially consistent with that as of June 30, 2010. The fair value of this derivative and its impact to the Company s results of operations for any of the periods presented were not material.

Table of Contents

Note C: Earnings Per Share

Unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. The Company s nonvested restricted stock are considered participating securities since the share-based awards contain a non-forfeitable right to dividends irrespective of whether the awards ultimately vest.

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2010**	**2009**	**2010**	**2009**
Net income attributable to The Andersons, Inc.	**$25,169**	$15,918	**$37,434**	$20,870
Less: Distributed and undistributed earnings allocated to nonvested restricted stock	**81**	50	**112**	69
Earnings available to common shareholders	**$25,088**	$15,868	**$37,322**	$20,801
Earnings per share basic:				
Weighted average shares outstanding basic	**18,366**	18,171	**18,340**	18,164
Earnings per common share basic	**$ 1.37**	$ 0.87	**$ 2.04**	$ 1.15
Earnings per share diluted:				
Weighted average shares outstanding basic	**18,366**	18,171	**18,340**	18,164
Effect of dilutive options	**97**	129	**126**	115
Weighted average shares outstanding diluted	**18,463**	18,300	**18,466**	18,279
Earnings per common share diluted	**$ 1.36**	$ 0.87	**$ 2.02**	$ 1.14

There were approximately 21 thousand and 527 thousand antidilutive stock-based awards outstanding for the second quarter of 2010 and 2009, respectively. For the six months ended June 30, 2010 and 2009 there were approximately 14 thousand and 629 thousand antidilutive stock-based awards outstanding.

Note D: Employee Benefit Plans

Included as charges against income for the three and six months ended June 30, 2010 and 2009 are the following amounts for pension and postretirement benefit plans maintained by the Company:

	Pension Benefits			
	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2010**	**2009**	**2010**	**2009**
Service cost	**$ 1,257**	$ 734	**$ 1,614**	$ 1,456
Interest cost	**1,134**	1,035	**2,169**	2,029
Expected return on plan assets	**(1,362)**	(1,012)	**(2,725)**	(2,026)
Amortization of prior service cost		(147)		(294)
Recognized net actuarial loss	**892**	903	**1,316**	1,912

Benefit cost	**$ 1,921**	$ 1,513	**$ 2,374**	$ 3,077

Table of Contents

	Postretirement Benefits			
	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2010	2009	2010	2009
Service cost	$ 114	$ 101	$ 233	$ 206
Interest cost	306	283	606	577
Amortization of prior service cost	(127)	(127)	(255)	(255)
Recognized net actuarial loss	187	152	345	312
Benefit cost	$ 480	$ 409	$ 929	$ 840

During the third quarter of 2009, the Company announced that it would be freezing its defined benefit plan as of July 1, 2010 for all of its non-retail line of business employees. Pension benefits for the retail line of business employees were frozen at December 31, 2006.

In March 2009, the Patient Protection and Affordable Care Act (PPACA) was signed into law. One of the provisions of the PPACA eliminates the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D coverage. As a result, the Company was required to make an adjustment to its deferred tax asset associated with its postretirement benefit plan in the amount of $1.5 million. The offset to this adjustment is included in the provision for income taxes on the Company s Consolidated Income Statement.

Note E: Segment Information

	Results of Operations Segment Disclosures (in thousands)						
Second quarter ended June 30, 2010	Grain & Ethanol	Rail	Plant Nutrient	Turf & Specialty	Retail	Other	Total
Revenues from external customers	$473,680	$23,635	$228,404	$41,182	$44,098	$	$810,999
Inter-segment sales	2	147	2,354	400			2,903
Equity in earnings of affiliates	6,665		2				6,667
Other income, net	624	499	302	377	157	(78)	1,881
Interest expense	1,078	1,317	1,133	503	269	363	4,663
Operating income (loss) (a)	19,622	114	19,017	2,486	2,078	(3,595)	39,722
(Income) loss attributable to noncontrolling interest	(610)						(610)
Income (loss) before income taxes	20,232	114	19,017	2,486	2,078	(3,595)	40,332
Second quarter ended June 30, 2009	Grain & Ethanol	Rail	Plant Nutrient	Turf & Specialty	Retail	Other	Total

Revenues from external customers	$500,401	$23,762	$197,638	$39,752	$49,401	$	$810,954
Inter-segment sales	2	106	2,756	425			3,289
Equity in earnings of affiliates	781		3				784
Other income, net	590	221	770	236	136	771	2,724
Interest expense	2,502	1,229	908	421	265	(164)	5,161
Operating income (loss) (a)	8,931	619	10,345	3,042	2,864	(571)	25,230
(Income) loss attributable to noncontrolling interest	272						272
Income (loss) before income taxes	8,659	619	10,345	3,042	2,864	(571)	24,958

Table of Contents

Six months ended June 30, 2010	**Grain & Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	**$994,569**	**$50,325**	**$331,562**	**$82,815**	**$73,726**	**$**	**$1,532,997**
Inter-segment sales	**2**	**301**	**6,992**	**1,033**			**8,328**
Equity in earnings of affiliates	**16,568**		**4**				**16,572**
Other income, net	**1,297**	**2,308**	**633**	**794**	**276**	**227**	**5,535**
Interest expense	**2,683**	**2,644**	**2,266**	**1,042**	**556**	**107**	**9,298**
Operating income (loss) (a)	**40,338**	**1,140**	**19,736**	**5,150**	**(749)**	**(4,213)**	**61,402**
(Income) loss attributable to noncontrolling interest	**(1,001)**						**(1,001)**
Income (loss) before income taxes	**41,339**	**1,140**	**19,736**	**5,150**	**(749)**	**(4,213)**	**62,403**

Six months ended June 30, 2009	**Grain & Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	$980,922	$50,532	$309,400	$84,455	$83,037	$	$1,508,346
Inter-segment sales	5	254	6,957	1,390			8,606
Equity in earnings (loss) of affiliates	(2,895)		5				(2,890)
Other income, net	1,149	187	1,258	541	247	581	3,963
Interest expense	4,796	2,431	1,997	812	499	316	10,851
Operating income (loss) (a)	14,666	1,501	12,392	6,139	163	(1,873)	32,988
(Income) loss attributable to noncontrolling interest	1,311						1,311
Income (loss) before income taxes	13,355	1,501	12,392	6,139	163	(1,873)	31,677

(a) Operating income (loss), the operating segment measure of profitability, is

defined as net sales and merchandising revenues plus identifiable other income less all identifiable operating expenses, including interest expense for carrying working capital and long-term assets and is reported inclusive of net income attributable to the noncontrolling interest.

Note F: Equity Method Investments and Related Party Transactions

The Company, directly or indirectly, holds investments in companies that are accounted for under the equity method. The Company s equity in these entities is presented at cost plus its accumulated proportional share of income or loss, less any distributions it has received. See Note 3 in the Company s 2009 Form 10-K for more information, including descriptions of various arrangements the Company has with certain of these entities, primarily three ethanol LLCs that the Company has ownership interests in (the ethanol LLCs).

For the quarters ended June 30, 2010 and 2009, revenues recognized for the sale of ethanol that the Company purchased from its ethanol LLCs were $97.5 million and $95.2 million, respectively. For the six months ended June 30, 2010 and 2009, revenues recognized for the sale of ethanol that the Company purchased from its ethanol LLCs were $210.1 million and $188.3 million, respectively. For the quarters ended June 30, 2010 and 2009, revenues recognized for the sale of corn to the ethanol LLCs under these agreements were $97.6 million and $93.2 million, respectively. For the six months ended June 30, 2010 and 2009, revenues recognized for the sale of corn to the ethanol LLCs were $195.2 million and $206.4 million, respectively.

Table of Contents

The Company also sells and purchases both corn and ethanol with Lansing Trade Group LLC (LTG) in the ordinary course of business on terms similar to sales and purchases with unrelated customers.

From time to time, the Company enters into derivative contracts with certain of its related parties, including the ethanol LLCs and LTG, for the purchase and sale of corn and ethanol, for similar price risk mitigation purposes and on similar terms as the purchase and sale derivative contracts it enters into with unrelated parties. At June 30, 2010, the fair value of derivative contracts with related parties was a liability of $20.4 million.

The following table summarizes income (losses) earned from the Company s equity method investments by entity.

(in thousands)	% ownership at June 30, 2010 (direct and indirect)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
The Andersons Albion Ethanol LLC	49%	**$1,201**	$ 758	**$ 3,922**	$ 792
The Andersons Clymers Ethanol LLC	37%	**2,047**	174	**4,931**	91
The Andersons Marathon Ethanol LLC	50%	**1,145**	(586)	**2,384**	(3,541)
Lansing Trade Group LLC	52%	**2,272**	435	**5,158**	(272)
Other	7%-33%	**2**	3	**177**	40
Total		**$6,667**	$ 784	**$16,572**	$(2,890)

While the Company holds a majority of the outstanding shares of Lansing Trade Group LLC (LTG), all major operating decisions of LTG are made by LTG s Board of Directors and the Company does not have a majority of the board seats. In addition, based on the terms of the LTG operating agreement, the minority shareholders have substantive participating rights that allow them to effectively participate in the decisions made in the ordinary course of business that are significant to LTG. Due to these factors, the Company does not have control over LTG and therefore accounts for this investment under the equity method.

The Company holds a majority interest (66%) in The Andersons Ethanol Investment LLC (TAEI). This consolidated entity holds a 50% interest in The Andersons Marathon Ethanol LLC (TAME). The noncontrolling interest in TAEI is attributed 34% of all gains and losses of TAME.

The following table presents the Company s investment balance in each of its equity method investees by entity.

(in thousands)	June 30, 2010	December 31, 2009	June 30, 2009
The Andersons Albion Ethanol LLC	**$ 32,635**	$ 28,911	$ 25,944
The Andersons Clymers Ethanol LLC	**37,109**	33,705	30,831
The Andersons Marathon Ethanol LLC	**36,197**	33,813	26,236
Lansing Trade Group LLC	**60,729**	59,648	53,595
Other	**1,428**	1,283	1,289
Total	**$168,098**	$157,360	$137,895

In the ordinary course of business, the Company will enter into related party transactions with its equity method investees. The following table sets forth the related party transactions entered into for the time periods presented.

Table of Contents

(in thousands)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Sales and revenues	**$115,285**	$109,994	**$234,131**	$235,861
Purchases of product	**105,318**	93,544	**215,071**	183,749
Lease income	**1,436**	1,351	**2,819**	2,748
Labor and benefits reimbursement (a)	**2,713**	2,471	**5,399**	5,008
Accounts receivable at June 30,	**12,056**	9,472		
Accounts payable at June 30,	**16,292**	13,516		

(a) The Company provides employee and administrative support to the ethanol LLCs, and charges them an allocation of the Company s costs of the related services.

Note G: Fair Value Measurements

The following table presents the Company s assets and liabilities measured at fair value on a recurring basis at June 30, 2010, December 31, 2009 and June 30, 2009.

(in thousands)	June 30, 2010			
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$204,317	$	$	$204,317
Commodity derivatives, net		(43,297)	7	(43,290)
Net margin deposit assets	(20,240)	27,624		7,384
Net margin deposit liabilities		(7,467)		(7,467)
Convertible preferred securities			13,100	13,100
Other assets and liabilities (a)	8,586		(2,277)	6,309
Total	$192,663	$(23,140)	$10,830	$180,353

(in thousands)	December 31, 2009			
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$145,929	$	$	$145,929
Commodity derivatives, net		(257)	1,948	1,691
Net margin deposit assets	28,836	(1,824)		27,012
Net margin deposit liabilities		(1,965)		(1,965)
Other assets and liabilities (a)	8,441		(1,763)	6,678

Total	$183,206	$(4,046)	$ 185	$179,345

(in thousands)	June 30, 2009			
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$179,752	$	$	$179,752
Commodity derivatives, net		(24,296)	3,032	(21,264)
Net margin deposit assets	38,009			38,009
Other assets and liabilities (a)	9,160		(1,613)	7,547
Total	$226,921	$(24,296)	$ 1,419	$204,044

(a) Included in other assets and liabilities is restricted cash, interest rate and foreign currency derivatives and deferred compensation assets.

Table of Contents

A reconciliation of beginning and ending balances for the Company s fair value measurements using Level 3 inputs is as follows:

	2010			2009	
(in thousands)	Interest rate derivatives	Convertible Preferred Securities	Commodity derivatives, net	Interest rate derivatives	Commodity derivatives, net
Asset (liability) at December 31,	$(1,763)	$	$ 1,948	$(2,367)	$ 5,114
Realized gains (losses) included in earnings	(72)		(1,926)	(31)	(667)
Unrealized gains (losses) included in other comprehensive income	(126)			230	
New contracts	36			92	
Asset (liability) at March 31,	$(1,925)	$	$ 22	$(2,076)	$ 4,447
New investment		13,100			
Realized gains (losses) included in earnings	(99)		(15)	191	(1,806)
Unrealized gains (losses) included in other comprehensive income	(253)			272	
Transfers from level 2					391
Asset (liability) at June 30,	$(2,277)	$13,100	$ 7	$(1,613)	$ 3,032

The majority of the Company s assets and liabilities measured at fair value are based on the market approach valuation technique. With the market approach, fair value is derived using prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Company s net commodity derivatives primarily consist of contracts with producers or customers under which the future settlement date and bushels of commodities to be delivered (primarily wheat, corn, soybeans and ethanol) are fixed and under which the price may or may not be fixed. Depending on the specifics of the individual contracts, the fair value is derived from the futures or options prices on the Chicago Mercantile Exchange (CME) or the New York Merchantile Exchange (NYMEX) for similar commodities and delivery dates as well as observable quotes for local basis adjustments (the difference between the futures price and the local cash price). Although nonperformance risk, both of the Company and the counterparty, is present in each of these commodity contracts and is a component of the estimated fair values, based on the Company s historical experience with its producers and customers and the Company s knowledge of their businesses, the Company does not view nonperformance risk to be a significant input to fair value for the majority of these commodity contracts. However, in situations where the Company believes that nonperformance risk is higher (based on past or present experience with a customer or knowledge of the customer s operations or financial condition), the Company classifies these commodity contracts as level 3 in the fair value hierarchy and, accordingly, records estimated fair value adjustments based on internal projections and views of these contracts.

Net margin deposit assets and liabilities are used by the Company to record derivative contracts for which collateral is required pursuant to such contract. The amounts of net margin deposit assets or liabilities are determined on a counterparty by counterparty basis and reflect the fair value of the futures and options contracts that the Company has through the CME, as well as over-the-counter contracts with various counterparties, net of the cash collateral posted with the counterparty (or held by the Company). While over-the-counter contracts themselves are not exchange-traded, the fair value of these contracts is estimated by reference to similar exchange-traded contracts. The Company does not consider nonperformance risk or credit risk on over-the-counter contracts to be material. This determination is based on credit default rates, credit ratings and other available information.

During the second quarter of 2010, the Company invested $13.1 million convertible preferred shares of Iowa Northern Railway. These shares are carried at estimated fair value in Other noncurrent assets on the Company s balance sheet. Any change in estimated fair value will be recorded within other comprehensive income . See Note I for further information.

Table of Contents

Fair Value of Financial Instruments

The fair value of the Company s long-term debt is estimated using quoted market prices or discounted future cash flows based on the Company s current incremental borrowing rates for similar types of borrowing arrangements.

(in thousands)	June 30, 2010	December 31, 2009
Fair value of long-term debt	**$311,826**	$ 325,649
Fair value in excess of (less than) carrying value	**6,094**	6,688

The fair value of the Company s cash equivalents, accounts receivable and accounts payable approximate their carrying value as they are close to maturity.

Note H: Debt

The Company is party to a borrowing arrangement with a syndicate of banks. See Note 6 in the Company s 2009 Form 10-K for a complete description of this arrangement. On March 4, 2010, the Company, at its request, reduced its borrowing capacity under this arrangement by $100 million effective with the date of notice. The amount available under the line of credit is now $475 million. This reduction was pro-rata among all lenders.

On February 26, 2010, the Company entered into an Amended and Restated Note Purchase Agreement for its Senior Guaranteed Notes. The Amended and Restated Note Purchase Agreement changes the maturity of the $92 million Series A note, which was originally due March 2011, into Series A $17 million due March 2011; Series A-1 $25 million due March 2012; Series A-2 $25 million due March 2013; and Series A-3 $25 million due March 2014.

The Company s long-term debt at June 30, 2010, December 31, 2009 and June 30, 2009 consisted of the following:

		June 30, 2010	December 31, 2009	June 30, 2009
Current maturities of long -term debt	nonrecourse	$ 3,076	$ 5,080	13,336
Current maturities of long-term debt	recourse	20,910	5,855	21,947
		23,986	10,935	35,283
Long-term debt, less current maturities	nonrecourse	14,579	19,270	28,938
Long-term debt, less current maturities	recourse	267,161	288,756	285,619
		$281,740	$308,026	$314,557

In August, the Company sent notice to all debenture bond holders with bonds earning a rate of interest of 7% or higher, that their bonds would be called on September 1, 2010. The total amount to be called is $17.2 million. This amount is not included in the current maturities listed above.

Note I: Variable Interest Entities

On May 25, 2010, the Company paid $13.1 million in a transaction in which the Company acquired 100% of newly issued cumulative convertible preferred shares of Iowa Northern Railway (IANR). IANR operates a 163-mile short-line railroad that runs diagonally through Iowa from northwest to southeast from Manly to Cedar Rapids and a branch line from Waterloo to Oelwein. IANR has a fleet of 21 locomotives and 500 railcars and serves primarily agribusiness customers. It is also involved in the development of logistics terminals designed to aid the transloading of various products, including ethanol and wind turbine components. As a result of this investment, the Company has a 49.9% voting interest in IANR, with the remaining 50.1% voting interest held by the common shareholders. The preferred shares purchased by the

Table of Contents

Company have certain rights associated with them, including voting, dividends, liquidation, redemption and conversion rights. Dividends accrue to the Company at a rate of 14% annually whether or not declared by IANR and are cumulative in nature. The Company can convert its preferred shares into common shares of IANR at any time before May 25, 2015, or subsequent to that date, the Company or IANR can cause such preferred shares held by the Company to be redeemed. This investment is accounted for as available-for-sale debt securities in accordance with ASC 320 and is carried at estimated fair value in Other noncurrent assets on the Company s balance sheet. The change in estimated fair value will be recorded within other comprehensive income . The carrying value of the Company s investment in IANR as of June 30, 2010 was $13.1 million.

U.S. financial accounting standards require a Company with a variable interest in a variable interest entity (VIE) to consolidate the VIE if the Company is considered the primary beneficiary. Based on the Company s assessment, IANR is considered a VIE. Since the Company does not possess the power to direct the activities of the VIE that most significantly impact the entity s economic performance, it is not considered to be the primary beneficiary of IANR and therefore does not consolidate IANR. The decisions that most significantly impact the economic performance of IANR are made by IANR s Board of Directors. The Board of Directors has five directors; two directors from the Company, two directors from the common shareholders and one independent director who is elected by unanimous decision of the other four directors. The vote of four of the five directors is required for all key decisions.

The Company s current maximum exposure to loss related to IANR is $13.3 million, which represents the Company s investment plus unpaid accrued dividends to date of $0.2 million. The Company does not have any obligation or commitments to provide additional financial support to IANR.

Note J: Business Acquisitions

On May 1, 2010, the Company acquired two grain cleaning and storage facilities from O Malley Grain, Inc. (O Malley) for a purchase price of $7.8 million. O Malley is a supplier of consistent, high quality food-grade corn to the snack food and tortilla industries with facilities in Nebraska and Illinois. The goodwill recognized as a result of this acquisition is $1.2 million as it expands the Company s service of providing specialty grain to food producers.

The summarized preliminary purchase price allocation is as follows:

Current assets	$ 4,097
Intangible assets	1,375
Goodwill	1,231
Property, plant and equipment	5,959
Other long-term assets	111
Current liabilities	(4,864)
Other long-term liabilities	(126)
Total purchase price (a)	$ 7,783

(a) Of the $7.8 million purchase price, $0.6 million remained in accounts payable at June 30, 2010.

Approximately $1.1 million of the intangible assets (which include customer lists and a non-compete agreement) are being amortized over 5 years. The other $0.3 million (which consists of a grower s list) is being amortized over 3 years.

Note K: Commitments and Contingencies

The Company is party to litigation, or threats thereof, both as defendant and plaintiff with some regularity, although individual cases that are material in size occur relatively infrequently. As a defendant, the Company establishes reserves for claimed amounts that are considered probable, and capable of estimation. If those cases are resolved for lesser amounts, the excess reserve can be taken into income and, conversely,

Table of Contents

if those cases are resolved for amounts incremental to what the Company has accrued, the Company records a charge to income. The Company believes it is unlikely that the results of its current legal proceedings for which it is the defendant, even if unfavorable, will be materially different from what it currently has accrued. As a plaintiff, amounts that are collected can also result in sudden, non-recurring income. Litigation results depend upon a variety of factors, including the availability of evidence, the credibility of witnesses, the performance of counsel, the state of the law, and the impressions of judges and jurors, any of which can be critical in importance, yet difficult, if not impossible, to predict. Consequently, cases currently pending, or future matters, may result in unexpected, and non-recurring losses, or income, from time to time. In that regard, the Company currently is involved in certain disputed matters which may result in significant gains and it is reasonably possible that the Company could recognize material gains from such disputes over the next 12 months (including related to the item referred to below), although for all the reasons cited above neither the likelihood of success, nor the amounts or collection of any settlement or verdict, can be predicted, estimated or assured. In the second quarter, 2010, the Company received a trial verdict in the amount of approximately $10.2 million in its civil suit against a grain supplier, and 4 personal guarantors, for damages arising from defaulted forward grain contracts. Collection actions are proceeding, although no representation is made as to final collectability of any amount against any defendant.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

The following Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements which relate to future events or future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by these forward-looking statements. You are urged to carefully consider these risks and others, including those risk factors listed under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K). In some cases, you can identify forward-looking statements by terminology such as may, anticipates, believes, estimates, predicts, or the negativ these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. These forward-looking statements relate only to events as of the date on which the statements are made and the Company undertakes no obligation, other than any imposed by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Critical Accounting Policies and Estimates

Our critical accounting policies and critical accounting estimates, as described in our 2009 Form 10-K, have not materially changed during the first six months of 2010.

Executive Overview

Grain & Ethanol Group

The Grain & Ethanol Group operates grain elevators in Ohio, Michigan, Indiana, Illinois and Nebraska. In addition to storage and merchandising, the Group performs grain trading, risk management and other services for its customers. The Group is also the developer and significant investor in three ethanol facilities located in Indiana, Michigan and Ohio with a nameplate capacity of 275 million gallons. In addition to its investment in these facilities, the Group operates the facilities under management contracts and provides grain origination, ethanol and distillers dried grains (DDG) marketing and risk management services for which it is separately compensated. The Group is also a significant investor in Lansing Trade Group LLC, an established trading business with offices throughout the country and internationally.

Table of Contents

On May 1, 2010, the Company acquired the assets of O Malley Grain, Inc. for a purchase price of $7.8 million. O Malley is a grain cleaning and storage facility with locations in Fairmont, Nebraska and Mansfield, Illinois. Since 1981, O Malley has been supplying food grade corn to the snack food and tortilla industry. This acquisition will allow the Company to expand further into the production value chain.

The U.S. Department of Agriculture has reported that farmers have planted 78.9 million acres of soybeans, setting a new record high, exceeding last years planted area by 2%. Farmers also planted 87.9 million acres of corn which is up 1.4 million acres from last year. In the states where the Company has grain storage facilities, 70% of the corn is now rated good to excellent, compared to 65% at the same time last year. Soybeans rated as good to excellent were an average of 65%, compared to 60% at this same time last year.

The agricultural commodity-based business is one in which changes in selling prices generally move in relationship to changes in purchase prices. Therefore, increases or decreases in prices of the agricultural commodities that the Company deals in will have a relatively equal impact on sales and cost of sales and a minimal impact on gross profit. As a result, changes in sales for the period may not necessarily be indicative of the Group s overall performance.

Grain inventories on hand at June 30, 2010 were 48.3 million bushels, of which 17.7 million bushels were stored for others. This compares to 41.1 million bushels on hand at June 30, 2009, of which 18.0 million bushels were stored for others.

The Group s investments in its three ethanol LLCs have had a strong results for the six months to date as they have been able to lock in a significant percentage of their ethanol sales at profitable margins in advance of the decline. The ethanol LLCs continue to pursue a risk management strategy of locking in future period margins at levels they deem appropriate. They have been able to lock in a significant amount of their remaining 2010 ethanol sales and some of their 2011 sales at profitable margins as well, however, not as high as the margins experienced in the first half of 2010.

Rail Group

The Rail Group buys, sells, leases, rebuilds and repairs various types of used railcars and rail equipment. The Group also provides fleet management services to fleet owners and operates a custom steel fabrication business. The Group has a diversified fleet of car types (boxcars, gondolas, covered and open top hoppers, tank cars and pressure differential cars) and locomotives and also serves a diversified customer base. The Group intends to continue to build its fleet, diversifying it in terms of lease duration, car types, industries, customers, and geographic dispersion. The Group also strives to be a total rail solutions provider through the contributions of its railcar repair shops and fabrication shop in component manufacturing. On May 25, 2010, the Company paid $13.1 million for 100% of newly issued cumulative convertible preferred shares of Iowa Northern Railway (IANR). IANR operates a 163-mile short-line railroad that runs diagonally through Iowa from northwest to southeast from Manly to Cedar Rapids and a branch line from Waterloo to Oelwein. IANR has a fleet of 21 locomotives and 500 railcars and serves primarily agribusiness customers. It is also involved in the development of logistics terminals designed to aid the transloading of various products, including ethanol and wind turbine components.

Railcars and locomotives under management (owned, leased or managed for financial institutions in non-recourse arrangements) at June 30, 2010 were 22,834 compared to 23,808 at June 30, 2009. The current economic downturn has caused a significant decrease in demand and the Company has had to store many of its railcars. The Group s average utilization rate (railcars and locomotives under management that are in lease services, exclusive of railcars managed for third party investors) has decreased significantly from 80.6% for the quarter ended June 30, 2009 to 71.0% for the quarter ended June 30, 2010. Although utilization is down from a year ago, rail traffic on major U.S. railroads has increased 11% since December 31, 2009 and the Group s average utilization increased 1% from the first quarter of 2010.

Table of Contents

Although the Company has experienced a significant decline in utilization in its railcar business over the last year, due to the nature of these long-lived assets (low carrying values and long average remaining useful lives), the current economic environment impacting the rail industry would have to persist on a long-term basis for the Company s railcar assets to be impaired and the Company does not believe this will occur. The Company has been evaluating its railcar portfolio and assessing expected demand for particular car types and estimated future storage costs compared to current scrap prices to make decisions on whether it should scrap certain railcars. Through the first six months of 2010 railcars have been scrapped at a gain of $3.6 million.

Plant Nutrient Group

The Company s Plant Nutrient Group purchases, stores, formulates, manufactures and sells dry and liquid fertilizer to dealers and farmers as well as sells reagents for air pollution control technologies used in coal-fired power plants. In addition, they provide warehousing and services to manufacturers and customers, formulate liquid anti-icers and deicers for use on roads and runways and distribute seeds and various farm supplies. The major fertilizer ingredients sold by the Company are nitrogen, phosphate and potash.

The Company s market area for its plant nutrient wholesale business includes major agricultural states in the Midwest. States with the highest concentration of sales are also the states where the Company s facilities are located Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin. The Plant Nutrient Group also has farm centers located throughout Michigan, Indiana, Ohio and Florida, within the same regions as the Company s other primary agricultural facilities. These farm centers offer agricultural fertilizer, chemicals, seeds, supplies and custom application of fertilizer to the farmer.

As mentioned previously, corn acres planted increased over 2009 which is a benefit to our Plant Nutrient Group as corn requires more nutrients than soybeans or wheat. Rain in the months of May and June caused retailers within the Group s farm center business to be very competitive on price which resulted in lower margins for the Group s farm centers.

Turf & Specialty Group

The Turf & Specialty Group produces granular fertilizer products for the professional lawn care and golf course markets. It also sells consumer fertilizer and control products for do-it-yourself application, to mass merchandisers, small independent retailers and other lawn fertilizer manufacturers and performs contract manufacturing of fertilizer and control products. The Group is one of a limited number of processors of corncob-based products in the United States. These products serve the chemical and feed ingredient carrier, animal litter and industrial markets, and are distributed throughout the United States and Canada and into Europe and Asia. The turf products industry is highly seasonal, with the majority of sales occurring from early spring to early summer. Corncob-based products are sold throughout the year.

The Group continues to see positive results from its focus on premium, proprietary products and expanded product lines. The Group has growth opportunities with its golf products, patented cat litter technology, corncob-based Bed-O cobs® brand and patented dispersible particle technology DG Lite®. The Group will continue to focus on its research and development capabilities to develop higher value, proprietary products.

Retail Group

The Retail Group includes large retail stores operated as The Andersons and a specialty food market operated as The Andersons Market . The Group also operates a sales and service facility for outdoor power equipment near one of its retail stores. The retail concept is *More for Your Home* ® and the stores focus on providing significant product breadth with offerings in home improvement and other mass merchandise categories, as well as specialty foods, wine and indoor and outdoor garden centers.

Table of Contents

Other

The Other business segment of the Company represents corporate functions that provide support and services to the operating segments. The results contained within this segment include expenses and benefits not allocated back to the operating segments.

Operating Results

(in thousands)	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Sales and merchandising revenues	**$810,999**	$810,954	**$1,532,997**	$1,508,346
Cost of sales	**723,445**	737,620	**1,386,893**	1,373,638
Gross profit	**87,554**	73,334	**146,104**	134,708
Operating, administrative and general	**51,107**	46,723	**96,510**	93,253
Interest expense	**4,663**	5,161	**9,298**	10,851
Equity in earnings of affiliates	**6,667**	784	**16,572**	(2,890)
Other income, net	**1,881**	2,724	**5,535**	3,963
Income before income taxes	**$ 40,332**	$ 24,958	**$ 62,403**	$ 31,677

The following discussion focuses on the operating results as shown in the consolidated statements of income with a separate discussion by segment. Additional segment information is included in the notes to the condensed consolidated financial statements herein in Note E: Segment Information.

Comparison of the three months ended June 30, 2010 with the three months ended June 30, 2009:

Grain & Ethanol Group

(in thousands)	Three months ended June 30, 2010	Three months ended June 30, 2009
Sales and merchandising revenues	**$473,680**	$500,401
Cost of sales	**443,607**	477,076
Gross profit	**30,073**	23,325
Operating, administrative and general	**16,052**	13,535
Interest expense	**1,078**	2,502
Equity in earnings of affiliates	**6,665**	781
Other income, net	**624**	590
Operating income before noncontrolling interest	**20,232**	8,659
(Income) loss attributable to noncontrolling interest	**(610)**	272
Operating income	**$ 19,622**	$ 8,931

Operating results for the Grain & Ethanol Group increased $10.7 million over the results from the same period last year. Sales and merchandising revenues for the Group decreased $26.7 million, or 5%, and is the result of lower commodity prices partially offset by an 8% increase in volume. Gross profit for the Group increased $6.7 million compared to the second quarter of 2009 and is a result of increased space income, and more specifically basis income.

Basis is defined as the difference between the cash price of a commodity in one of the Company s facilities and the nearest exchange traded futures price. The Company does not expect the basis appreciation that occurred during the second quarter to continue into the second half of the year.

Operating expenses for the Group increased $2.5 million, or 19%, over the same period in 2009 and is spread among several expense categories related primarily to growth, including labor and incentive compensation.

Table of Contents

Interest expense for the Group decreased $1.4 million, or 57%, from the same period in 2009 due to decreased need to cover margin deposit requirements.

Equity in earnings of affiliates increased $5.9 million over the same period in 2009. Income from the Group s three ethanol LLCs increased $4.0 million and income from Lansing Trade Group LLC (LTG) increased $1.8 million. As mentioned previously, income from the three ethanol LLCs improved during the second quarter as a large percentage of the ethanol had been contracted at profitable margins in advance of the decline. The ethanol LLCs have been able to lock in a significant amount of their remaining 2010 and some of their 2011 ethanol sales at profitable margins, though, not as high as the margins experienced in the first half of 2010.

Rail Group

	Three months ended June 30,	
(in thousands)	**2010**	**2009**
Sales and merchandising revenues	**$23,635**	$23,762
Cost of sales	**19,284**	18,947
Gross profit	**4,351**	4,815
Operating, administrative and general	**3,419**	3,188
Interest expense	**1,317**	1,229
Other income, net	**499**	221
Operating income	**$ 114**	$ 619

Operating results for the Rail Group decreased $0.5 million compared to the results from the same period last year. Leasing revenues decreased $3.8 million, however, car sales increased $2.6 million. Sales in the Group s repair and fabrication shops increased $1.1 million. The decrease in leasing revenues is attributable to the significant decrease in utilization. The Company has been evaluating its railcar portfolio and assessing expected demand for particular car types and estimated future storage costs compared to current scrap prices to make decisions on whether it should scrap certain railcars. The Company scrapped approximately 200 cars during the second quarter of 2010 which led to the increase in cars sales.

Gross profit for the Group decreased $0.5 million compared to the second quarter of 2009. Gross profit in the leasing business decreased $1.6 million, or 51%, and can be attributed to the decreased utilization and increased storage costs compared to the same period last year. Gross profit on car sales increased $0.9 million and is attributable to more cars sold and higher scrap prices. Gross profit in the repair and fabrication shops increased $0.2 million.

Operating and interest expenses for the Group increased slightly over the same period last year. Other income for the Group increased as a result of dividend income from IANR.

Plant Nutrient Group

	Three months ended June 30,	
(in thousands)	**2010**	**2009**
Sales and merchandising revenues	**$228,404**	$197,638
Cost of sales	**196,841**	175,532
Gross profit	**31,563**	22,106
Operating, administrative and general	**11,717**	11,626
Interest expense	**1,133**	908

Equity in earnings of affiliates	**2**	3
Other income, net	**302**	770
Operating income	**$ 19,017**	$ 10,345

Table of Contents

Operating results for the Plant Nutrient Group increased $8.7 million over the same period last year. Sales and merchandising revenues increased $30.8 million, or 16%, due to a 37% increase in volume partially offset by an 16% decrease in the average price per ton sold. Late spring planting pushed some volume into the second quarter. Gross profit for the Group increased $9.5 million, or 43% as a result of the increase in sales as well as lower costs per ton sold.

Operating and interest expenses for the Group remained relatively flat compared to the same period last year.

Turf & Specialty Group

	Three months ended June 30,	
(in thousands)	**2010**	**2009**
Sales and merchandising revenues	**$41,182**	$39,752
Cost of sales	**33,150**	32,138
Gross profit	**8,032**	7,614
Operating, administrative and general	**5,420**	4,387
Interest expense	**503**	421
Other income, net	**377**	236
Operating income	**$ 2,486**	$ 3,042

Operating results for the Turf & Specialty Group decreased $0.6 million compared to results from the same period last year. Sales in the lawn fertilizer business increased $1.0 million, or 3%, due primarily to an increase in volume and an increase in the average price per ton sold in the consumer and industrial lines of business. Volume in the professional line of business increased 9% however the average price per ton sold decreased 11%. The Group has seen a positive reception to its professional products; however, competitive pressure on its non-patented products remains very intense. Sales in the cob business increased $0.4 million, or 10% over the second quarter of 2009 due to a 5% increase in both volume and the average price per ton sold. Gross profit for the Group increased $0.4 million, or 5%, due to the increase in sales mentioned previously. Gross profit per ton in the lawn fertilizer business decreased 2% while gross profit per ton in the cob business increased 18%.

Operating expenses for the Group increased $1.0 million, or 24%, over the same period last year and is due primarily to unabsorbed labor and incentive compensation.

Retail Group

	Three months ended June 30,	
(in thousands)	**2010**	**2009**
Sales and merchandising revenues	**$44,098**	$49,401
Cost of sales	**30,563**	33,927
Gross profit	**13,535**	15,474
Operating, administrative and general	**11,345**	12,481
Interest expense	**269**	265
Other income, net	**157**	136
Operating income	**$ 2,078**	$ 2,864

Operating results for the Retail Group decreased $0.8 million compared to the same period last year. Sales decreased $5.3 million, of which $3.3 million was a result of the closing of the Lima, Ohio store. Same store customer counts decreased 5% while the same store average sale per customer remained unchanged. Gross profit decreased $1.9 million, or 13%, as a result of the decreased sales.

Operating expenses for the Group decreased 9% due primarily to the closure of the Group s Lima, Ohio store in the fourth quarter of 2009.

Table of Contents

Other

(in thousands)	Three months ended June 30, 2010	2009
Sales and merchandising revenues	**$**	$
Cost of sales		
Gross profit		
Operating, administrative and general	**3,154**	1,506
Interest expense	**363**	(164)
Other income (loss), net	**(78)**	771
Operating loss	**$(3,595)**	$ (571)

Net corporate operating expenses not allocated to business segments increased $1.6 million over the same period last year due primarily to increased pension and profit sharing expenses.

As a result of the above, income attributable to The Andersons, Inc. of $25.2 million for the second quarter of 2010 was $9.3 million higher than income attributable to The Andersons, Inc. of $15.9 million recognized in the second quarter of 2009. Income tax expense of $14.6 million was provided at 36.6%. The Company anticipates that its 2010 effective annual rate will be 38.2%. In the second quarter of 2009, income tax expense of $9.3 million was provided at a rate of 36.9%. The Company s actual 2009 effective tax rate was 36.4%. The increase in the effective rate for 2010 is due primarily to a one time adjustment to increase tax expense by $1.5 million as a result of the Patient Protection and Affordable Care Act which was signed into law in the first quarter of 2010. See Note D for further explanation.

Grain & Ethanol Group

(in thousands)	Six months ended June 30, 2010	2009
Sales and merchandising revenues	**$994,569**	$980,922
Cost of sales	**938,563**	934,298
Gross profit	**56,006**	46,624
Operating, administrative and general	**29,849**	26,727
Interest expense	**2,683**	4,796
Equity in earnings of affiliates	**16,568**	(2,895)
Other income, net	**1,297**	1,149
Operating income before noncontrolling interest	**41,339**	13,355
(Income) loss attributable to noncontrolling interest	**(1,001)**	1,311
Operating income	**$ 40,338**	$ 14,666

Operating results for the Grain & Ethanol Group increased $25.7 million over the results from the same period last year. On the grain side, sales and merchandising revenues for the Group decreased $23.9 million, or 3%, and is the result of lower commodity prices partially offset by a 17% increase in volume. On the ethanol side, sales increased $21.8 million, or 12%, as a result of an 8% increase in the average price per gallon sold and a 3% increase in volume.

Gross profit for the Group increased $9.4 million over the first six months of 2009 and relates primarily to an increase in space income, and more specifically basis appreciation. Basis is defined as the difference between the cash price of a commodity in one of the Company s facilities and the nearest exchange traded futures price. The Company does not expect the basis appreciation that occurred during the first half of the year to continue into the second half of the year. Operating expenses for the Group increased $3.1 million, or 12%, over the same period in 2009, primarily in labor and benefits related to growth and incentive compensation expense.

Table of Contents

Interest expense for the Group decreased $2.1 million, or 44%, from the same period in 2009 due to the decreased need to cover margin deposit requirements.

Equity in earnings of affiliates increased $19.5 million over the same period in 2009. Income from the Group s three ethanol LLCs increased $13.9 million and income from Lansing Trade Group LLC (LTG) increased $5.4 million. As mentioned previously, income from the three ethanol LLCs improved during the first six months as a large percentage of the ethanol had been contracted at profitable margins in advance of the decline. The ethanol LLCs have been able to lock in a significant amount of their remaining 2010 ethanol sales at profitable margins, however, not as high as the margins experienced through the first six months.

Rail Group

	Six months ended June 30,	
(in thousands)	**2010**	**2009**
Sales and merchandising revenues	**$50,325**	$50,532
Cost of sales	**41,972**	39,986
Gross profit	**8,353**	10,546
Operating, administrative and general	**6,877**	6,801
Interest expense	**2,644**	2,431
Other income, net	**2,308**	187
Operating income	**$ 1,140**	$ 1,501

Operating results for the Rail Group decreased $0.4 million compared to the results from the same period last year. Leasing revenues decreased $8.8 million, however, car sales increased $7.6 million. Sales in the Group s repair and fabrication shops increased $1.0 million. The decrease in leasing revenues is attributable to the significant decrease in utilization. The Company has been evaluating its railcar portfolio and assessing expected demand for particular car types and estimated future storage costs compared to current scrap prices to make decisions on whether it should scrap certain railcars. The Company scrapped approximately 1,100 cars during the first six months of 2010 which led to the increase in cars sales.

Gross profit for the Group decreased $1.6 million compared to the first six months of 2009. Gross profit in the leasing business decreased $5.9 million, or 78%, and can be attributed to the decreased utilization and increased storage costs compared to the same period last year. Gross profit on car sales increased $3.1 million and is attributable to more cars sold and higher scrap prices. Gross profit in the repair and fabrication shops increased $0.6 million.

Other income increased due to settlements received from customers for railcars returned at the end of a lease that were not in the required operating condition. These settlements may be negotiated in lieu of a customer performing the required repairs. In addition, the Group recognized $0.2 million in dividend income from its investment in IANR.

Plant Nutrient Group

	Six months ended June 30,	
(in thousands)	**2010**	**2009**
Sales and merchandising revenues	**$331,562**	$309,400
Cost of sales	**288,003**	272,772
Gross profit	**43,559**	36,628
Operating, administrative and general	**22,194**	23,502

Interest expense	**2,266**	1,997
Equity in earnings of affiliates	**4**	5
Other income, net	**633**	1,258
Operating income	**$ 19,736**	$ 12,392

Table of Contents

Operating results for the Plant Nutrient Group increased $7.3 million over the same period last year. Excluding sales from the newly acquired business in 2009, sales decreased $3.4 million, or 1%, due to a combination of a 13% decrease in the average price per ton sold partially offset by a 14% increase in volume. The decrease in the average price per ton sold is a result of the impact of sales contracted in 2008 (at higher commodity prices) that were not recognized until the first quarter of 2009. Gross profit for the Group increased $6.9 million, or 19% as a result of the increased volume as well as lower costs per ton sold.

Operating expenses for the Group decreased $1.3 million over the same period last year due to decreased production during the first few months of 2009 resulting in less overhead absorption.

Turf & Specialty Group

	Six months ended June 30,	
(in thousands)	**2010**	**2009**
Sales and merchandising revenues	**$82,815**	$84,455
Cost of sales	**66,343**	68,422
Gross profit	**16,472**	16,033
Operating, administrative and general	**11,074**	9,623
Interest expense	**1,042**	812
Other income, net	**794**	541
Operating income	**$ 5,150**	$ 6,139

Operating results for the Turf & Specialty Group decreased $1.0 million compared to results from the same period last year. Sales in the lawn fertilizer business decreased $3.0 million, or 4%, due primarily to decreased volume and selling price within the consumer and industrial lines of business. Volume in the professional line of business increased 13%. The Group has seen a positive reception to its new professional products; however, competitive pressure on its non-patented products remains very intense. Sales in the cob business increased $1.3 million, or 17% over the first six months of 2009 due to an increase in volume of 16%. The average price per ton sold remained relatively unchanged period over period. Gross profit for the Group increased $0.4 million. Gross profit in the lawn fertilizer business was up 1% per ton, however, the increased sales in the cob business were in lower margin products resulting in a 5% decrease in gross profit per ton in that business.

Operating expenses for the Group increased $1.5 million, or 15%, over the same period last year and are attributed to increased employee costs.

Retail Group

	Six months ended June 30,	
(in thousands)	**2010**	**2009**
Sales and merchandising revenues	**$73,726**	$83,037
Cost of sales	**52,012**	58,160
Gross profit	**21,714**	24,877
Operating, administrative and general	**22,183**	24,462
Interest expense	**556**	499
Other income, net	**276**	247

Operating loss	**$ (749)**	$ 163

Operating results for the Retail Group decreased $0.9 million compared to the same period last year. Sales decreased $9.3 million, of which $5.6 million was a result of the closure of the Lima, Ohio store in late 2009. Same store customer counts decreased 6%, however, same store average sale per customer increased 1%. Gross profit also decreased as a result of the decreased sales and lower margins.

Table of Contents

Operating expenses for the Group decreased 9% due also primarily to the closure of the Lima, Ohio store.

Other

(in thousands)	Six months ended June 30, 2010	2009
Sales and merchandising revenues	**$**	$
Cost of sales		
Gross profit		
Operating, administrative and general	**4,333**	2,138
Interest expense	**107**	316
Other income (loss), net	**227**	581
Operating loss	**$(4,213)**	$(1,873)

Net corporate operating expenses not allocated to business segments increased $2.2 million over the same period last year due primarily to increased expenses related to pension and performance incentives.

As a result of the above, income attributable to The Andersons, Inc. of $37.4 million for the first six months of 2010 was $16.5 million higher than income attributable to The Andersons, Inc. of $20.9 million recognized in the first six months of 2009. Income tax expense of $24.0 million was provided at 39.0%. The Company anticipates that its 2010 effective annual rate will be 38.2%. In the first six months of 2009, income tax expense of $12.1 million was provided at a rate of 36.7%. The Company s actual 2009 effective tax rate was 36.4%. The increase in the effective rate for 2010 is due primarily to a one time adjustment to increase tax expense by $1.5 million as a result of the Patient Protection and Affordable Care Act which was signed into law in the first quarter of 2010. See Note D for further explanation.

Liquidity and Capital Resources

Operating Activities and Liquidity

The Company s operations provided cash of $105.2 million in the first six months of 2010 compared to cash provided by operations of $131.3 million in the first six months of 2009. Net working capital at June 30, 2010 was $299.3 million, an $8.4 million decrease from December 31, 2009 and a $38.1 million decrease from June 30, 2009. The Company received refunds of income tax overpayments of $0.8 million in the first quarter of 2010 and made payments of $13.9 million in the second quarter of 2010. The Company expects to make payments totaling approximately $10.7 million for the remainder of 2010.

Investing Activities

Total capital spending for 2010 on property, plant and equipment in the Company s base business is expected to be approximately $39 million. Through the first half of 2010, the Company has spent $15.2 million.

In addition to spending on conventional property, plant and equipment, the Company expects to spend $75 million for the purchase of railcars, locomotives and related leases and capitalized modifications of railcars. The Company also expects to offset this amount by proceeds from the sales and dispositions of railcars of $77.5 million. Through June 30, 2010, the Company invested $9.0 million in the purchase of additional railcars and related leases, offset by proceeds from sales of $12.6 million.

On May 1, 2010, the Company acquired the assets of O Malley Grain, Inc. for a purchase price of $7.8 million. O Malley is a grain cleaning and storage facility with locations in Fairmont, Nebraska and Mansfield, Illinois. Since 1981, O Malley has been supplying food grade corn to the snack food and tortilla industry. This acquisition will allow the Company to expand further into the production value chain.

Table of Contents

On May 25, 2010, the Company paid $13.1 million for 100% of newly issued cumulative convertible preferred shares of Iowa Northern Railroad (IANR). IANR operates a 163-mile short-line railroad that runs diagonally through Iowa from northwest to southeast from Manly to Cedar Rapids and a branch line from Waterloo to Oelwein. IANR has a fleet of 21 locomotives and 500 railcars and serves primarily agribusiness customers. It is also involved in the development of logistics terminals designed to aid the transloading of various products, including ethanol and wind turbine components.

Financing Arrangements

The Company has significant committed short-term lines of credit available to finance working capital, primarily inventories, margin calls on commodity contracts and accounts receivable. The Company is party to a borrowing arrangement with a syndicate of banks, which was reduced at the Company s request during the first quarter of 2010, to provide the Company with $390 million in short-term lines of credit and $85 million in long-term lines of credit. Minimal borrowings, along with declining volatility for grain and fertilizer prices are the reasons the Company elected to reduce the line of credit by $100 million. The Company had nothing drawn on its short-term line of credit at June 30, 2010. The Company continues to feel that it has adequate capacity to meet its funding needs going forward. Peak short-term borrowings for the Company to date are $10.6 million on January 12, 2010. Typically, the Company s highest borrowing occurs in the spring due to seasonal inventory requirements in the fertilizer and retail businesses, credit sales of fertilizer and a customary reduction in grain payables due to the cash needs and market strategies of grain customers.

A cash dividend of $0.085 was paid in the first quarter of 2009, a cash dividend of $0.0875 was paid in the second, third and fourth quarters of 2009 and the first quarter of 2010. A cash dividend of $0.09 was paid in the second quarter of 2010. On May 7, 2010, the Company declared a cash dividend of $0.09 per common share payable on July 22, 2010 to shareholders of record on July 1, 2010. During the first six months of 2010, the Company issued approximately 149 thousand shares to employees and directors under its equity-based compensation plans.

Certain of the Company s borrowings include covenants that, among other things, impose minimum levels of working capital and equity, and impose limitations on additional debt. The Company was in compliance with all such covenants at June 30, 2010. In addition, certain of the long-term borrowings are collateralized by first mortgages on various facilities or are collateralized by railcar assets. The Company s non-recourse long-term debt is collateralized by railcar and locomotive assets. During the first half of 2010, the Company entered into an Amended and Restated Note Purchase Agreement for its Senior Guaranteed notes. The Amendment changes the maturity of the $92 million Series A note, which was originally due March 2011, into Series A $17 million due March 2011; Series A-1 $25 million due March 2012; Series A-2 $25 million due March 2013; and Series A-3 $25 million due March 2014.

Because the Company is a significant consumer of short-term debt in peak seasons and the majority of this is variable rate debt, increases in interest rates could have a significant impact on the profitability of the Company. In addition, periods of high grain prices and/or unfavorable market conditions could require the Company to make additional margin deposits on its exchange traded futures contracts. Conversely, in periods of declining prices, the Company receives a return of cash.

The Company had standby letters of credit outstanding of $15.5 million at June 30, 2010, of which $8.1 million represents a credit enhancement for industrial revenue bonds. After the standby letters of credit, the Company had $460 million remaining available under its short-term line of credit at June 30, 2010.

Table of Contents

Off-Balance Sheet Transactions

The Company s Rail Group utilizes leasing arrangements that provide off-balance sheet financing for its activities. The Company leases railcars from financial intermediaries through sale-leaseback transactions, the majority of which involve operating leasebacks. Railcars owned by the Company or leased by the Company from a financial intermediary are generally leased to a customer under an operating lease. The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to a financial intermediary and assigns the related operating lease to the financial intermediary on a non-recourse basis. In such arrangements, the Company generally provides ongoing railcar maintenance and management services for the financial intermediary and receives a fee for such services. On most of the railcars and locomotives that are not on its balance sheet, the Company holds an option to purchase at the end of the lease.

The following table describes the Company s railcar and locomotive positions at June 30, 2010:

Method of Control	Financial Statement		Number
Owned-railcars available for sale	On balance sheet	current	212
Owned-railcar assets leased to others	On balance sheet	noncurrent	13,163
Railcars leased from financial intermediaries	Off balance sheet		7,112
Railcars non-recourse arrangements	Off balance sheet		2,224
Total Railcars			22,711
Locomotive assets leased to others	On balance sheet	noncurrent	27
Locomotives leased from financial intermediaries	Off balance sheet		4
Locomotives leased from financial intermediaries under limited recourse arrangements	Off balance sheet		14
Locomotives non-recourse arrangements	Off balance sheet		78
Total Locomotives			123

In addition, the Company manages 806 railcars for third-party customers or owners for which it receives a fee.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For further information, refer to our Annual Report on Form 10-K for the year ended December 31, 2009. There were no material changes in market risk, specifically commodity and interest rate risk during the six months ended June 30, 2010.

Item 4. Controls and Procedures

The Company is not organized with one Chief Financial Officer. Our Vice President, Controller and CIO is responsible for all accounting and information technology decisions while our Vice President, Finance and Treasurer is responsible for all treasury functions and financing decisions. Each of them, along with the President and Chief Executive Officer (Certifying Officers), are responsible for evaluating our disclosure controls and procedures. These Certifying Officers have evaluated our disclosure controls and procedures as defined in the rules of the Securities and Exchange Commission, as of June 30, 2010, and have determined that such controls and procedures were effective. Our Certifying Officers are primarily responsible for the accuracy of the financial information that is presented in this report. To meet their responsibility for financial reporting, they have established internal controls and procedures which they believe are adequate to provide reasonable assurance that the Company s assets are protected from loss. These procedures are reviewed by the Company s internal auditors in order to monitor compliance. In addition, our Board of Director s Audit Committee, which is

Table of Contents

composed entirely of independent directors, meets regularly with each of management and our internal auditors to review accounting, auditing and financial matters.

There were no changes in internal controls over financial reporting or in other factors that have materially affected or could materially affect internal controls over financial reporting, in each case, during the second quarter of 2010.

Part II. Other Information

Item 1. Legal Proceedings

The Company has received, and is cooperating fully with, a request for information from the United States Environmental Protection Agency (U.S. EPA) regarding the history of its grain and fertilizer facility along the Maumee River in Toledo, Ohio. The U.S. EPA is investigating the possible introduction into the Maumee River of hazardous materials potentially leaching from rouge piles deposited along the riverfront by glass manufacturing operations that existed in the area prior to the Company s initial acquisition of its land in 1960. The Company has on several prior occasions cooperated with local, state and federal regulators to install or improve drainage systems to contain storm water runoff and sewer discharges along its riverfront property to minimize the potential for such leaching. Other area land owners and the successor to the original glass making operations have also been contacted by the U.S. EPA for information. The U.S. EPA s investigation is in its early stages, and no claim or finding has been asserted.

The Company has been named in a complaint filed by the Illinois Environmental Protection Agency for storm water runoff allegedly contaminated by contact with corn piles stored at its Canton, Illinois grain handling facility. The storm water runoff is alleged to have depleted oxygen levels in two nearby ponds, resulting in fish kills. Also named is a neighboring third party owned and operated ethanol plant for whom the Company provided corn. The Company is cooperating fully with state authorities. The Company does not believe that any clean up expenses or fines that may be assessed are likely to be material. Portions of certain of the costs incurred may also be insured under the Company s environmental liability policies.

The Company is also currently subject to various claims and suits arising in the ordinary course of business, which include environmental issues, employment claims, contractual disputes, and defensive counter claims. The Company accrues expenses where litigation losses are deemed probable and estimable.

Item 1A. Risk Factors

Our operations are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this Form 10-Q and could have a material adverse impact on our financial results. These risks can be impacted by factors beyond our control as well as by errors and omissions on our part. The significant factors known to us that could materially adversely affect our business, financial condition or operating results are described in the 2009 10-K (Item 1A). There has been no material changes in the risk factors set forth therein.

Item 6. Exhibits

(a) Exhibits

No.	Description
31.1	Certification of the President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)
31.2	Certification of the Vice President, Controller and CIO under Rule 13(a)-14(a)/15d-14(a)
31.3	Certification of the Vice President, Finance and Treasurer under Rule 13(a)-14(a)/15d-14(a)
32.1	Certifications Pursuant to 18 U.S.C. Section 1350

Table of Contents

Signatures

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

THE ANDERSONS, INC.
(Registrant)

Date: August 6, 2010 By /s/ Michael J. Anderson

Michael J. Anderson
President and Chief Executive Officer

Date: August 6, 2010 By /s/ Richard R. George

Richard R. George
Vice President, Controller and CIO
(Principal Accounting Officer)

Date: August 6, 2010 By /s/ Nicholas C. Conrad

Nicholas C. Conrad
Vice President, Finance and Treasurer
(Principal Financial Officer)

Table of Contents

Exhibit Index
The Andersons, Inc.

No.	Description
31.1	Certification of the President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)
31.2	Certification of the Vice President, Controller and CIO under Rule 13(a)-14(a)/15d-14(a)
31.3	Certification of the Vice President, Finance and Treasurer under Rule 13(a)-14(a)/15d-14(a)
32.1	Certifications Pursuant to 18 U.S.C. Section 1350