ANDERSONS INC
Form 10-Q
August 07, 2009

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, 2009

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	34-1562374
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
480 W. Dussel Drive, Maumee, Ohio	43537
(Address of principal executive offices)	(Zip Code)

(419) 893-5050
(Telephone Number)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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 18.3 million common shares outstanding, no par value, at July 31, 2009.

THE ANDERSONS, INC.

INDEX

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

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

	June 30, 2009	December 31, 2008	June 30, 2008
Current assets:			
Cash and cash equivalents	**$ 179,752**	$ 81,682	$ 33,379
Restricted cash	**4,243**	3,927	3,664
Accounts and notes receivable, net	**130,824**	126,255	187,184
Margin deposits, net	**38,009**	13,094	79,017
Inventories:			
Grain	**107,722**	223,107	230,781
Agricultural fertilizer and supplies	**41,784**	144,536	119,680
Lawn and garden fertilizer and corncob products	**22,906**	38,011	22,043
Retail merchandise	**29,615**	27,579	30,463
Other	**3,057**	3,687	3,872
	205,084	436,920	406,839
Commodity derivative assets current	**48,635**	84,919	493,571
Deferred income taxes	**8,478**	15,338	4,827
Prepaid expenses and other current assets	**32,086**	93,827	42,662
Total current assets	**647,111**	855,962	1,251,143
Other assets:			
Pension asset			7,229
Commodity derivative assets noncurrent	**1,354**	3,662	84,297
Other assets and notes receivable, net	**15,386**	12,433	11,655
Investments in and advances to affiliates	**137,895**	141,055	137,121
	154,635	157,150	240,302
Railcar assets leased to others, net	**176,656**	174,132	152,879
Property, plant and equipment:			
Land	**14,566**	14,524	13,560
Land improvements and leasehold improvements	**39,524**	39,040	37,224
Buildings and storage facilities	**121,548**	119,174	114,786
Machinery and equipment	**156,005**	151,401	144,767
Software	**9,527**	8,899	8,631
Construction in progress	**3,822**	6,597	3,258
	344,992	339,635	322,226
Less allowances for depreciation and amortization	**(224,457)**	(218,106)	(212,080)
	120,535	121,529	110,146

Total assets	**$1,098,937**	$1,308,773	$1,754,470

See notes to condensed consolidated financial statements

Table of Contents

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

	June 30, 2009	December 31, 2008	June 30, 2008
Current liabilities:			
Short-term borrowings	**$**	$	$ 432,500
Accounts payable for grain	**63,475**	216,307	76,409
Other accounts payable	**90,907**	97,770	135,294
Customer prepayments and deferred revenue	**18,344**	55,953	30,992
Commodity derivative liabilities current	**66,698**	67,055	160,611
Accrued expenses and other current liabilities	**35,047**	60,437	83,444
Current maturities of long-term debt non-recourse	**13,336**	13,147	13,175
Current maturities of long-term debt	**21,947**	14,594	11,481
Total current liabilities	**309,754**	525,263	943,906
Deferred income and other long-term liabilities	**12,026**	12,977	3,910
Commodity derivative liabilities noncurrent	**4,555**	3,706	19,923
Employee benefit plan obligations	**36,875**	35,513	19,880
Long-term debt non-recourse, less current maturities	**28,938**	40,055	47,934
Long-term debt, less current maturities	**285,619**	293,955	281,496
Deferred income taxes	**36,871**	32,197	29,268
Total liabilities	**714,638**	943,666	1,346,317
Shareholders equity:			
The Andersons, Inc. shareholders equity:			
Common shares, without par value (25,000 shares authorized; 19,198 shares issued and outstanding)	**96**	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)			
Additional paid-in-capital	**174,108**	173,393	171,571
Treasury shares (941; 1,069 and 1,074 shares at 6/30/09, 12/31/08 and 6/30/08, respectively; at cost)	**(15,408)**	(16,737)	(16,242)
Accumulated other comprehensive loss	**(29,266)**	(30,046)	(10,099)
Retained earnings	**244,386**	226,707	250,355
Total shareholders equity of The Andersons, Inc.	**373,916**	353,413	395,681
Noncontrolling interest	**10,383**	11,694	12,472
Total shareholders equity	**384,299**	365,107	408,153
Total liabilities, and shareholders equity	**$1,098,937**	$1,308,773	$1,754,470

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,	
	2009	**2008**	**2009**	**2008**
Sales and merchandising revenues	**$810,954**	$1,100,700	**$1,508,346**	$1,813,701
Cost of sales and merchandising revenues	**737,620**	980,363	**1,373,638**	1,641,123
Gross profit	**73,334**	120,337	**134,708**	172,578
Operating, administrative and general expenses	**46,723**	49,973	**93,253**	91,264
Interest expense	**5,161**	8,521	**10,851**	17,643
Other income (loss):				
Equity in earnings (loss) of affiliates	**784**	7,781	**(2,890)**	16,420
Other income, net	**2,724**	2,155	**3,963**	5,039
Income before income taxes	**24,958**	71,779	**31,677**	85,130
Income tax expense	**9,312**	26,835	**12,118**	31,428
Net income	**15,646**	44,944	**19,559**	53,702
Net (income) loss attributable to the noncontrolling interest	**272**	682	**1,311**	(253)
Net income attributable to The Andersons, Inc.	**$ 15,918**	$ 45,626	**$ 20,870**	$ 53,449
Earnings per common share:				
Basic earnings attributable to The Andersons, Inc. common shareholders	**$ 0.87**	$ 2.52	**$ 1.15**	$ 2.95
Diluted earnings attributable to The Andersons, Inc. common shareholders	**$ 0.87**	$ 2.48	**$ 1.14**	$ 2.90
Dividends paid	**$ 0.0875**	$ 0.0775	**$ 0.1725**	$ 0.155

See notes to condensed consolidated financial statements

5

Table of Contents

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

	Six months ended June 30, 2009	Six months ended June 30, 2008
Operating Activities		
Net income	**$ 19,559**	$ 53,702
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	**16,212**	13,900
Bad debt expense	**90**	2,569
Equity in earnings/loss of unconsolidated affiliates, net of distributions received	**3,260**	2,391
Realized gains on sales of railcars and related leases	**(1,168)**	(3,317)
Excess tax benefit from share-based payment arrangement	**(340)**	(1,502)
Deferred income taxes	**11,080**	2,010
Stock based compensation expense	**1,518**	2,657
Lower of cost or market inventory and contract adjustment	**2,944**	
Other	**15**	6
Changes in operating assets and liabilities:		
Accounts and notes receivable	**(4,535)**	(65,976)
Inventories	**228,892**	102,443
Commodity derivatives and margin deposits	**14,169**	(345,048)
Prepaid expenses and other assets	**60,214**	616
Accounts payable for grain	**(152,832)**	(67,071)
Other accounts payable and accrued expenses	**(67,801)**	46,559
Net cash provided by (used in) operating activities	**131,277**	(256,061)
Investing Activities		
Acquisition of business, net of $0.3 million cash acquired		(6,699)
Purchases of railcars	**(11,884)**	(55,123)
Proceeds from sale of railcars and related leases	**4,943**	41,331
Purchases of property, plant and equipment	**(7,290)**	(7,833)
Proceeds from sale of property, plant and equipment	**128**	67
Change in restricted cash	**(316)**	62
Investments in affiliates	**(100)**	(20,600)
Net cash used in investing activities	**(14,519)**	(48,795)
Financing Activities		
Net increase in short-term borrowings		187,000
Proceeds received from issuance of long-term debt	**4,744**	201,535
Payments on long-term debt	**(5,727)**	(61,574)
Payments of non-recourse long-term debt	**(10,928)**	(8,891)
Proceeds from sale of treasury shares to employees and directors	**755**	1,057

Purchase of treasury stock	**(229)**	
Payments of debt issuance costs	**(4,494)**	(1,893)
Dividends paid	**(3,149)**	(2,801)
Excess tax benefit from share-based payment arrangement	**340**	1,502
Net cash provided by (used in) financing activities	**(18,688)**	315,935
Increase in cash and cash equivalents	**98,070**	11,079
Cash and cash equivalents at beginning of period	**81,682**	22,300
Cash and cash equivalents at end of period	**$ 179,752**	$ 33,379

See notes to condensed consolidated financial statements

Table of Contents

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

	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, 2007	$ 96	$ 168,286	$ (16,670)	$ (7,197)	$ 199,849	$ 12,219	$ 356,583
Net income (loss)					53,449	253	53,702
Other comprehensive income:							
Unrecognized actuarial loss and prior service costs (net of income tax of $1,716)				(2,921)			(2,921)
Cash flow hedge activity (net of income tax of $11)				19			19
Comprehensive income							50,800
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of $1,821 (121 shares)		3,285	428				3,713
Dividends declared ($0.1625 per common share)					(2,943)		(2,943)
Balance at June 30, 2008	96	171,571	(16,242)	(10,099)	250,355	12,472	408,153
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 loss 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, net of income tax of $478 (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**

See notes to condensed consolidated financial statements

7

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 and majority-owned 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. The Company has evaluated subsequent events through the date of issuance, which is August 7, 2009. Operating results for the three and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2009.

The condensed consolidated balance sheet data at December 31, 2008 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, 2008 has been included as the Company operates in several seasonal industries.

In December 2007, the Financial Accounting Standards Board (FASB) released Statement No. 160 (SFAS 160), Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51. SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 requires the noncontrolling interest in a subsidiary to be presented within equity, separate from the parent s equity. In addition, the amount of consolidated net income attributable to the parent and the noncontrolling interest must be clearly identified and presented on the face of the income statement with the caption net income being defined as net income attributable to the consolidated group. SFAS 160 became effective for the Company beginning with the first quarter of 2009. Prior periods have been revised to reflect the current presentation.

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, 2008 (the 2008 Form 10-K).

Certain balance sheet items have been reclassified from their prior presentation to more appropriately reflect the nature of such items. These reclassifications are not considered material and had no effect on the income statement, statement of shareholders equity, current assets, current liabilities, or operating cash flows as previously reported.

New Accounting Pronouncements

In April 2009, the FASB issued FSP No. FAS 157-4 Determining Whether a Market is Not Active and a Transaction is Not Distressed . This FSP provides additional guidance to highlight and expand on the factors that should be considered in estimating fair value where there has been a significant decrease in market activity for a financial asset. This FSP became effective during the second quarter ended June 30, 2009 and did not have a material impact on the Company s consolidated financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1 Interim Disclosures about Fair Value of Financial Instruments . This FSP requires an entity to provide disclosures about fair value of financial instruments in interim financial information. This FSP became effective during the second quarter ended

Table of Contents

June 30, 2009 and the Company has provided the required fair value disclosures in our notes to the financial statements.

In May 2009, the FASB issued FAS 165 Subsequent Events . FAS 165 requires entities to evaluate subsequent events through the date that the financial statements are issued or are available to be issued. A Company must disclose within their Quarterly Reports on Form 10Q and Annual Report on Form 10K the date through which subsequent events have been evaluated. This FAS became effective during the second quarter ended June 30, 2009 and the Company has provided the required disclosures.

In June 2009, the FASB issued FAS 167 Amendments to FASB Interpretation No. 46(R) . FAS 167 amends the analysis an entity must perform to determine if it has a controlling financial interest in a variable interest entity (VIE). FAS 167 provides that the primary beneficiary of a VIE must have both of the following characteristics:

- The power to direct the activities of the VIE that most significantly impact the VIE s economic performance.
- The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

FAS 167 will be effective for the Company beginning January 1, 2010. The Company is currently assessing what the impact, if any, there will be.

In June 2009, the FASB issued FAS 168 The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FAS No. 162 . The FASB Codification will become the source of authoritative U.S. generally accepted accounting principles. On the effective date of this statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. The Codification will not change the current accounting rules, only how they are referenced. FAS 168 will be effective for the Company beginning with the third quarter of 2009.

Note B: Master Netting Arrangements

FASB Staff Position No. FIN 39-1 (FSP FIN 39-1), permits 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 2008 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, 2009, December 31, 2008 and June 30, 2008, the Company s margin deposit assets and margin deposit liabilities consisted of the following:

	June 30, 2009		**December 31, 2008**		**June 30, 2008**	
(in thousands)	**Margin deposit assets**	**Margin deposit liabilities**	**Margin deposit assets**	**Margin deposit liabilities**	**Margin deposit assets**	**Margin deposit liabilities**
Collateral posted	$ 7,838	$	$ 26,023	$	$ 276,285	$ 45,884
Collateral received	(14,210)			(5,858)		
Fair value of derivatives	44,381		(12,929)	4,080	(197,268)	(70,257)
Balance at end of period	$ 38,009	$	$ 13,094	$ (1,778)	$ 79,017	$ (24,373)

Note C: Derivatives

In March 2008, the FASB issued SFAS 161 Disclosures about Derivative Instruments and Hedging Activities which requires companies with derivative instruments to disclose additional information that will enable users of financial statements to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133, as amended, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), and how derivative instruments and related hedged items affect a company s financial position, financial performance and cash flows.

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 and oats and over-the-counter contracts for ethanol. The 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 the sale of grain to processors or other consumers generally do not extend beyond one year. Contracts for the purchase and sale of ethanol currently 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.

All of these contracts are considered derivatives under SFAS 133. 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. 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 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, 2009, and the balance sheet line item in which they are located:

(in thousands)		**June 30, 2009**
Forward commodity contracts included in Commodity derivative assets current	$	48,635
Forward commodity contracts included in Commodity derivative assets noncurrent		1,354
Forward commodity contracts included in Commodity derivative liabilities current		(66,698)
Forward commodity contracts included in Commodity derivative liabilities noncurrent		(4,555)
Regulated futures and options contracts included in Margin deposits (a)		38,566
Over-the-counter contracts included in Margin deposits (a)		5,815
Total estimated fair value of commodity derivatives	$	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 in accordance with FSP FIN 39-1. See Note B for additional information.

Table of Contents

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, 2009 are as follows:

(in thousands)	**Three months ended June 30, 2009**	**Six months ended June 30, 2009**
Gains on commodity derivatives included in sales and merchandising revenues	$317	$ 19,424

At June 30, 2009, the Company had the following bushels and gallons outstanding (on a gross basis) on all commodity derivative contracts:

Commodity	Number of bushels (in thousands)	Number of gallons (in thousands)
Corn	184,710	
Soybeans	29,249	
Wheat	6,467	
Oats	6,664	
Ethanol		235,273
Total	227,090	235,273

Interest Rate Derivatives

The Company periodically enters into interest rate contracts, including interest rate swaps and caps, to manage interest rate risk on borrowing or financing activities. The Company s long-term interest rate swap is recorded in other long-term liabilities and is designated as a cash flow hedge; accordingly, changes in the fair value of this instrument are recognized in other comprehensive income. The terms of the swap match the terms of the underlying debt instrument. The deferred derivative gains and losses on the interest rate swap are reclassified into income over the term of the underlying hedged items. The Company expects to reclassify less than $0.1 million of accumulated other comprehensive loss into earnings in the next twelve months.

The Company has other interest rate contracts that are not designated as hedges. While the Company considers all of its interest rate derivative positions to be effective economic hedges of specified risks, these interest rate contracts are recorded on the balance sheet in prepaid expenses and other assets or current and long-term liabilities and changes in fair value are recognized currently in income as interest expense.

Table of Contents

The following table presents the open interest rate contracts at June 30, 2009.

Interest Rate Hedging Instrument	Year Entered	Year of Maturity	Initial Notional Amount (in millions)	Hedged Item	Interest Rate
Short-term					
Cap	2008	2010	$ 20.0	Interest rate component of debt not accounted for as a hedge	4.25%
Long-term					
Swap	2005	2016	$ 4.0	Interest rate component of an operating lease not accounted for as a hedge	5.23%
Swap	2006	2016	$ 14.0	Interest rate component of debt accounted for as cash flow hedge	5.95%
Cap	2008	2010	$ 10.0	Interest rate component of debt not accounted for as a hedge	4.67%
Cap	2009	2011	$ 10.0	Interest rate component of debt not accounted for as a hedge	2.92%
Cap	2009	2012	$ 10.0	Interest rate component of debt not accounted for as a hedge	3.42%
Cap	2009	2011	$ 10.0	Interest rate component of debt not accounted for as a hedge	2.92%

At June 30, 2009, the Company had recorded the following amounts for the fair value of the Company s interest rate derivatives:

(in thousands)	June 30, 2009
Derivatives not designated as hedging instruments under SFAS No. 133	
Interest rate contracts included in other assets	$ 82
Interest rate contracts included in deferred income and other long term liabilities	(346)
Total fair value of interest rate derivatives not designated as hedging instruments under SFAS No. 133	$ (264)
Derivatives designated as hedging instruments under SFAS No. 133	
Interest rate contract included in deferred income and other long term liabilities	$ (1,659)
Total fair value of interest rate derivatives designated as hedging instruments under SFAS No. 133	$ (1,659)

The gains included in the Company s Consolidated Statement of Income and the line item in which they are located for interest rate derivatives not designated has hedging instruments are as follows:

(in thousands)	**Three months ended June 30, 2009**	**Six months ended June 30, 2009**
Interest expense	$191	$ 159

Table of Contents

The gains included in the Company s Statement of Shareholders Equity and the line item in which they are located for interest rate derivatives designated as hedging instruments are as follows:

(in thousands)	Three months ended June 30, 2009	Six months ended June 30, 2009
Other comprehensive income	$597	$ 774

Foreign Currency Derivatives

The Company has entered into a zero cost foreign currency collar to hedge the change in conversion rate between the Canadian dollar and the U.S. dollar for railcar leases in Canada. This zero cost collar, which is being accounted for as a cash flow hedge, has an initial notional amount of $6.8 million and places a floor and ceiling on the Canadian dollar to U.S. dollar exchange rate at $0.9875 and $1.069, respectively. Changes in the fair value of this derivative are included as a component of other comprehensive income or loss. The terms of the collar match the underlying lease agreements and therefore any ineffectiveness is considered immaterial.

At June 30, 2009, the Company had recorded the following amount for the fair value of the Company s foreign currency derivatives:

(in thousands)	June 30, 2009
Foreign currency contract included in other assets	$ 310

The losses included in the Company s Statement of Shareholders Equity and the line item in which they are located for foreign currency derivatives designated as hedging instruments are as follows:

(in thousands)	Three months ended June 30, 2009	Six months ended June 30, 2009
Accumulated other comprehensive loss	$(325)	$ (272)

Note D: Earnings Per Share

In June 2008, the FASB issued Staff Position (FSP) Emerging Issues Task Force (EITF) 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities. This FSP provides that 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 described in Statement of Financial Accounting Standards (SFAS) No. 128, Earnings per Share. 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. This FSP became effective for the Company for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those years. The adoption of FSP EITF 03-6-1 reduced the reported amounts of basic and diluted earnings per share for the quarter ended June 30, 2008 by $.01 and zero, respectively, per share. For the six months ended June 30, 2008 it reduced the reported amounts of both basic and diluted earnings per share by $.01.

(in thousands)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Net income attributable to The Andersons, Inc.	**$15,918**	$45,626	**$20,870**	$53,449
Less: Distributed and undistributed earnings allocated to nonvested restricted stock	**50**	131	**69**	139
Earnings available to common shareholders	**$15,868**	$45,495	**$20,801**	$53,310
Earnings per share basic:				
Weighted average shares outstanding basic	**18,171**	18,065	**18,164**	18,046
Earnings per common share basic	**$ 0.87**	$ 2.52	**$ 1.15**	$ 2.95
Earnings per share diluted:				
Weighted average shares outstanding basic	**18,171**	18,065	**18,164**	18,046
Effect of dilutive options	**129**	292	**115**	321
Weighted average shares outstanding diluted	**18,300**	18,357	**18,279**	18,367
Earnings per common share diluted	**$ 0.87**	$ 2.48	**$ 1.14**	$ 2.90

There were approximately 527 thousand and 59 thousand antidilutive stock-based awards outstanding for the second quarter of 2009 and 2008, respectively. For the six months ended June 30, 2009 and 2008 there were approximately 629 thousand and 28 thousand antidilutive stock-based awards outstanding.

Note E: Employee Benefit Plans

Included as charges against income for the three and six months ended June 30, 2009 and 2008 are the following amounts for pension and postretirement benefit plans maintained by the Company:

	Pension Benefits			
(in thousands)	Three months ended June 30 2009	Three months ended June 30 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Service cost	**$ 734**	$ 696	**$ 1,456**	$ 1,333
Interest cost	**1,035**	983	**2,029**	1,807
Expected return on plan assets	**(1,012)**	(1,249)	**(2,026)**	(2,518)
Amortization of prior service cost	**(147)**	(155)	**(294)**	(310)
Recognized net actuarial loss	**903**	345	**1,912**	472
Benefit cost	**$ 1,513**	$ 620	**$ 3,077**	$ 784

	Postretirement Benefits	
	Three months ended June 30	Six months ended June 30,

(in thousands)	2009	2008	2009	2008
Service cost	**$ 101**	$ 100	**$ 206**	$ 187
Interest cost	**283**	283	**577**	562
Amortization of prior service cost	**(127)**	(127)	**(255)**	(255)
Recognized net actuarial loss	**152**	178	**312**	305
Benefit cost	**$ 409**	$ 434	**$ 840**	$ 799

The Company made contributions to its defined benefit pension plan of $1.5 million and $1.3 million in the first six months of 2009 and 2008, respectively. The Company currently expects to make a total contribution of approximately $6.0 million in fiscal 2009, which exceeds the required minimum contribution. The Company contributed $10.0 million in fiscal 2008.

Table of Contents

The postretirement benefit plan is not funded. Company contributions during the period represent actual claim payments and insurance premiums for covered retirees. In both the second quarters of 2009 and 2008, the Company made payments of $0.2 million. For each of the six months ended June 30, 2009 and 2008, the Company made payments of $0.4 million.

Note F: Segment Information

Results of Operations Segment Disclosures
(in thousands)

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
Loss attributable to noncontrolling interest	272						272
Income before income taxes	8,659	619	10,345	3,042	2,864	(571)	24,958

Second quarter ended June 30, 2008	Grain & Ethanol	Rail	Plant Nutrient	Turf & Specialty	Retail	Other	Total
Revenues from external customers	$695,787	$42,941	$273,501	$35,915	$52,556	$	$1,100,700
Inter-segment sales	7	104	1,973	333			2,417
Equity in earnings of affiliates	7,780		1				7,781
Other income, net	1,222	340	180	96	161	156	2,155
Interest expense	6,684	1,082	1,555	397	217	(1,414)	8,521
Operating income (loss) (a)	19,994	4,874	47,369	1,882	3,360	(5,018)	72,461
Loss attributable to noncontrolling interest	682						682
Income before income taxes	19,312	4,874	47,369	1,882	3,360	(5,018)	71,779

Table of Contents

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
Loss attributable to noncontrolling interest	1,311						1,311
Income before income taxes	13,355	1,501	12,392	6,139	163	(1,873)	31,677

Six months ended June 30, 2008	Grain & Ethanol	Rail	Plant Nutrient	Turf & Specialty	Retail	Other	Total
Revenues from external customers	$1,194,910	$77,952	$378,970	$75,576	$86,293	$	$1,813,701
Inter-segment sales	10	233	7,429	750			8,422
Equity in earnings of affiliates	16,417		3				16,420
Other income, net	3,758	518	324	189	308	(58)	5,039
Interest expense	12,988	2,062	2,093	822	406	(728)	17,643
Operating income (loss) (a)	22,227	11,300	54,909	3,882	(17)	(7,424)	84,877
(Income) attributable to noncontrolling interest	(253)						(253)
Income before income taxes	22,480	11,300	54,909	3,882	(17)	(7,424)	85,130

(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 G: Equity Method Investments and Related Party Transactions

The Company, directly or indirectly, holds investments in seven limited liability 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 2008 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, 2009 and 2008, revenues recognized for the sale of ethanol that the Company purchased from its ethanol LLCs were $95.2 million and $120.7 million, respectively. For the six months ended June 30, 2009 and 2008, revenues recognized for the sale of ethanol that the Company purchased from its ethanol LLCs were $188.3 million and $223.3 million, respectively. For the quarters ended June 30, 2009 and 2008, revenues recognized for the sale of corn to the ethanol LLCs were $93.2 million and $105.4 million, respectively. For the six months ended June 30, 2009 and 2008, revenues recognized for the sale of corn to the ethanol LLCs were $206.4 million and $188.8 million, respectively.

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

(in thousands)	% ownership at June 30, 2009 (direct and indirect)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
The Andersons Albion Ethanol LLC	49%	**$ 758**	$ 1,740	**$ 792**	$ 3,771
The Andersons Clymers Ethanol LLC	37%	**174**	2,245	**91**	5,968
The Andersons Marathon Ethanol LLC	50%	**(586)**	(2,618)	**(3,541)**	(5,115)
Lansing Trade Group LLC	49%	**435**	6,413	**(272)**	11,677
Other	7%-33%	**3**	1	**40**	119
Total		**$ 784**	$ 7,781	**$(2,890)**	$16,420

The Company holds a majority interest (66%) in The Andersons Ethanol Investment LLC (TAEI). This consolidated entity holds the 50% interest in The Andersons Marathon Ethanol LLC (TAME). In addition to the investment in TAME, TAEI enters into derivative contracts with external parties to economically hedge the impact of a portion of TAME s input and output commodity prices. The impact of this derivative activity is included in gross profit in the Company s income statement. For the quarters ended June 30, 2009 and 2008, the gains from this derivative activity was less than $0.1 million and $0.5 million, respectively. For the six months ended June 30, 2009 and 2008, the impact to gross profit was $0.1 million and $5.9 million, respectively. The noncontrolling interest in TAEI is attributed 34% of all gains and losses.

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

(in thousands)	June 30, 2009	December 31, 2008	June 30, 2008
The Andersons Albion Ethanol LLC	**$ 25,944**	$ 25,299	$ 26,563
The Andersons Clymers Ethanol LLC	**30,831**	30,805	31,769
The Andersons Marathon Ethanol LLC	**26,236**	29,777	30,423
Lansing Trade Group LLC	**53,595**	54,025	47,188
Other	**1,289**	1,149	1,178
Total	**$137,895**	$141,055	$137,121

In the first quarter of 2009, the Company s majority-owned subsidiary, TAEI, along with the other 50% partner in TAME, signed a limited guarantee under which each party is guaranteeing 50% of all scheduled installment payments on TAME s term loan during 2009 (not to exceed $11.0 million in total) as well as the interest accrued through 2009 associated with the loan if TAME were to default on a scheduled loan payment. TAEI, along with the other 50% partner, guaranteed the debt obligation in order for TAME to renegotiate certain of its debt covenants. As of the end of July 2009, TAME had made its three scheduled quarterly installments. Its fourth quarterly installment is due in October 2009. The Company does not anticipate TAEI having to make any payments on the guarantee. In addition, the Company has signed a guarantee with TAME s natural gas supplier to guarantee the payment of $4.5 million in natural gas purchases through December 31, 2009. TAME s other 50% owner has signed a similar guarantee. The Company does not anticipate having to make any payments on this guarantee. The fair value of these guarantee obligations are considered immaterial.

Table of Contents

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.

(in thousands)	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Sales and revenues	**$109,994**	$157,736	**$235,861**	$272,831
Purchases of product	**93,544**	107,221	**183,749**	206,636
Lease income	**1,351**	1,419	**2,748**	2,898
Labor and benefits reimbursement (a)	**2,471**	2,463	**5,008**	4,954
Accounts receivable at June 30,	**9,472**	12,736		
Accounts payable at June 30,	**4,988**	24,778		

(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 H: Fair Value Measurements

The following table presents the Company s assets and liabilities measured at fair value on a recurring basis under SFAS 157 at June 30, 2009, December 31, 2008 and June 30, 2008.

(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
Net margin deposit liabilities				
Other assets and liabilities (a)	9,160		(1,613)	7,547
Total	$226,921	$(24,296)	$ 1,419	$204,044

(in thousands)	December 31, 2008			
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 81,682	$	$	$ 81,682
Commodity derivatives, net		12,706	5,114	17,820
Net margin deposit assets	13,094			13,094
Net margin deposit liabilities		(1,778)		(1,778)

Other assets and liabilities (a)	13,303		(2,367)	10,936
Total	$108,079	$10,928	$ 2,747	$121,754

(in thousands)	June 30, 2008			
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 33,379	$	$	$ 33,379
Commodity derivatives, net		386,398	10,936	397,334
Net margin deposit assets	79,017			79,017
Net margin deposit liabilities		(24,373)		(24,373)
Other assets and liabilities (a)	9,923		(1,011)	8,912
Total	$122,319	$362,025	$ 9,925	$494,269

(a) Included in other assets and liabilities is restricted cash, interest rate derivatives, assets held in a VEBA for healthcare benefits 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:

	2009		2008	
(in thousands)	Interest rate derivatives	Commodity derivatives, net	Interest rate derivatives	Commodity derivatives, net
Asset (liability) at December 31,	$(2,367)	$ 5,114	$(1,167)	$ 5,561
Realized gains (losses) included in earnings	(31)	(667)	(152)	3,346
Unrealized gains (losses) included in other comprehensive income	230		(545)	
New contracts	92			
Transfers from level 2				161
Contracts cancelled, transferred to accounts receivable				(1,837)
Asset (liability) at March 31,	$(2,076)	$ 4,447	$(1,864)	$ 7,231
Realized gains (losses) included in earnings	191	(1,806)	126	3,705
Unrealized gains (losses) included in other comprehensive income	272		565	
Transfers from level 2		391		
New contracts			162	
Asset (liability) at June 30,	$(1,613)	$ 3,032	$(1,011)	10,936

The Company s 2008 Form 10-K discloses additional information related to the approach the Company uses to estimate the fair value of the above instruments. This approach has not changed during the first six months of 2009.

Note I: 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 addition, the Company has derivative interest rate contracts recorded on its balance sheet at their fair values. The fair value of these contracts is estimated based on quoted market termination values.

(in thousands)	June 30, 2009	December 31, 2008
Fair value of long-term debt and interest rate contracts	**$341,741**	$ 353,905
Fair value in excess of (less than) carrying value	**(9,713)**	(10,213)

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 J: Debt Agreements

The Company is party to a borrowing arrangement with a syndicate of banks. This arrangement was amended in April 2009 and now provides the Company with $490 million in short-term lines of credit and $85 million in long-term lines of credit. This is a variable interest rate line that bears interest based on LIBOR plus an applicable margin. This agreement will expire in September 2011.

In 2005, The Andersons Rail Operating I (TARO I), a wholly-owned subsidiary of the Company, issued $41 million in non-recourse long-term debt for the purpose of purchasing 2,293 railcars and related leases from the Company. This long-term debt has associated debt covenants and as of March 31, 2009, the Company had violated the utilization covenant and debt service coverage ratio covenant associated with this debt. This covenant violation did not trigger any cross default provisions under any other debt agreements. The Company has received a waiver of this violation for the quarter ended March 31, 2009. In April 2009,

Table of Contents

the Company paid an additional $4.0 million to the bank towards its debt obligation. Based on the arrangement with the lender, this additional payment resulted in the exclusion of idle cars from the utilization and debt service coverage ratio calculation. With the idle cars removed, the Company does not expect to violate this covenant in the future. The balance outstanding on the TARO I non-recourse long-term debt at June 30, 2009 was $25.5 million.

Prior to the measurement date but subsequent to June 30, 2009, the Company received a modification to its debt agreement for TOP CAT Holding Company LLC, a wholly owned subsidiary of the Company. The modification reduced the utilization ratio requirement from 80% to 60%. This reduction in the required utilization ratio is expected to minimize the risk of a rapid amortization event in the future should utilization rates continue to decrease.

Note K: Business Acquisition

On August 1, 2009, the Company acquired the Fertilizer Division of Hartung Brothers, Inc. (HBI) for a purchase price of $25.0 million. The Company will also be purchasing HBI s remaining inventory after a physical inventory is completed. HBI is a regional wholesale supplier of liquid fertilizers with six facilities located in Wisconsin and Minnesota.

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, 2008 (2008 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 2008 Form 10-K, have not materially changed during the first six months of 2009. The assumptions utilized by the Company as of December 31, 2008 in determining that its investment in TAME is recoverable continue to be reasonable. Consistent with the Company s assessment of the recoverability of its investment in TAME, the Company believes that its investments in the other ethanol LLCs are also recoverable because the same key assumptions used to assess the TAME investment (e.g. corn and ethanol prices) hold true for those facilities as well.

Executive Overview

Grain & Ethanol Group

The Grain & Ethanol Group operates grain elevators in Ohio, Michigan, Indiana and Illinois. In addition to storage and merchandising, the Group performs grain trading, risk management and other services for its customers. The Group is also a 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.

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 and more focus should be placed on changes to merchandising revenues and service income.

Grain inventories on hand at June 30, 2009 were 41.1 million bushels, of which 18.0 million bushels were stored for others. This compares to 39.8 million bushels on hand at June 30, 2008, of which 11.0 million bushels were stored for others.

As of this writing, wheat harvest is on average 97% complete in Illinois, Indiana and Ohio. Wheat harvest is only 38% complete in Michigan. Wheat coming in to the Company s facilities has been in very good condition.

The U.S. Department of Agriculture has reported that farmers have planted a record 77.5 million acres of soybeans, which is up 1.8 million acres over 2008. Farmers have also planted 87 million acres of corn, up 1 million acres from a year ago. This is the second largest corn acreage in more than 60 years. Corn rated as good to excellent in the four states in which the Company has facilities was an average of 62%, compared to 71% at this same time last year. Soybeans rated as good to excellent were an average of 60%, compared to 61% at this same time last year.

The ethanol industry continues to be impacted by volatility in the commodity markets for both its production inputs and outputs as well as by government policy. The pricing relationship between corn and ethanol has had an unfavorable impact on the results of the Company s equity investments in its ethanol LLCs. With oil and gasoline prices falling, lowering the demand for ethanol as well as the price, the Company expects ethanol margins to remain narrow throughout 2009. The Company expects the pricing relationship between corn and ethanol to stabilize within the next couple of years. The Company will continue to monitor the volatility in corn and ethanol prices and its impact on the ethanol LLCs closely, including any impact on the recoverability of the Company s investments.

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 wide range of customers.

Railcars and locomotives under management (owned, leased or managed for financial institutions in non-recourse arrangements) at June 30, 2009 were 23,808 compared to 23,840 at June 30, 2008. 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 93.3% for the quarter ended June 30, 2008 to 80.6% for the quarter ended June 30, 2009. Rail traffic on major U.S. railroads, which slowed in the last quarter of 2008, has continued to decrease. Overall railroad traffic is down 20% in the first six months of 2009 compared to the same period in 2008. The current economic situation has caused a significant decrease in demand and the Company has had to store many of its cars. The economy has also impacted the Group s repair and fabrication shops which have seen a significant decrease in activity.

Table of Contents

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 Group continues to monitor nutrient prices which have been extremely volatile leading to lower-of-cost-or-market inventory and contract write-downs. The Company believes that with the exception of potash, fertilizer prices have stabilized and the lower-of-cost-or-market issues are behind it. The Company will continue to monitor potash prices for the small amount of inventory remaining on hand.

On August 1, 2009, the Company acquired the Fertilizer Division of Hartung Brothers, Inc. (HBI) for a purchase price of $25.0 million. The Company will also be purchasing HBI s remaining inventory after a physical inventory is completed. HBI is a regional wholesale supplier of liquid fertilizers with six facilities located in Wisconsin and Minnesota.

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 proprietary products and expanded product lines.

Retail Group

The Retail Group includes six 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. The retail concept is *More for Your Home* ® and the conventional retail 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.

The retail business is highly competitive. The Company competes with a variety of retail merchandisers, including home centers, department and hardware stores, as well as local and national grocers.

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

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Sales and merchandising revenues	**$810,954**	$1,100,700	**$1,508,346**	$1,813,701
Cost of sales	**737,620**	980,363	**1,373,638**	1,641,123
Gross profit	**73,334**	120,337	**134,708**	172,578
Operating, administrative and general	**46,723**	49,973	**93,253**	91,264
Interest expense	**5,161**	8,521	**10,851**	17,643
Equity in earnings of affiliates	**784**	7,781	**(2,890)**	16,420
Other income, net	**2,724**	2,155	**3,963**	5,039
Income before income taxes	**$ 24,958**	$ 71,779	**$ 31,677**	$ 85,130

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 F: Segment Information.

Comparison of the three months ended June 30, 2009 with the three months ended June 30, 2008:

Grain & Ethanol Group

	Three months ended June 30,	
(in thousands)	**2009**	**2008**
Sales and merchandising revenues	**$500,401**	$695,787
Cost of sales	**477,076**	666,592
Gross profit	**23,325**	29,195
Operating, administrative and general	**13,535**	12,201
Interest expense	**2,502**	6,684
Equity in earnings of affiliates	**781**	7,780
Other income, net	**590**	1,222
Operating income before noncontrolling interest	**8,659**	19,312
(Income) loss attributable to noncontrolling interest	**272**	682
Operating income	**$ 8,931**	$ 19,994

Operating results for the Grain & Ethanol Group decreased $11.1 million over the results from the same period last year. Sales of grain for the Group decreased $171.9 million, or 31%, and is the result of a 27% decrease in the average price per bushel of grain sold, and a 5% decrease in the volume of grain sold (primarily wheat and soybeans). Sales of ethanol decreased $25.5 million, or 21%, and is due to a 21% decrease in the average price per gallon sold. Merchandising revenues for the Group increased $1.9 million over the second quarter of 2008 and is related primarily to an increase in basis and storage income. Basis is the difference between the local market price of a commodity and the Chicago Board of Trade futures price. During the first half of 2008, futures prices for corn and wheat rose at a substantially higher rate than local spot prices. This caused the Group to incur basis losses on its forward purchase and sale contracts as well as its inventory. In the first half of 2009, futures prices went the opposite direction in relation to local spot prices and the Company realized gains on its forward purchase and sale contracts as well as its inventory. As these contracts are considered derivatives and recorded at estimated fair value until the contracts are eventually settled, there is a possibility that the Group will lose some of these basis gains before the end of the year. Revenues from services provided to the ethanol industry were $5.0 million, a 2% increase over the second quarter of 2008. Gross profit for the Group decreased $5.9 million over the second quarter of 2008 due primarily to decreased position income which is income from futures and options positions taken which have not been directly related to a purchase or sale commitment.

Table of Contents

Operating expenses for the Group increased $1.3 million, or 11%, over the same period in 2008 due to increased employee expenses related to growth and increased lease and other facility expense for the Group s two new facility leases entered into in 2008.

Interest expense for the Group decreased $4.2 million, or 63%, from the same period in 2008. The significant increase in commodity prices in the first half of 2008 required the Company to increase short-term borrowings to cover margin calls, which was the main driver for the increased interest costs for the Group last year.

Equity in earnings of affiliates decreased $7.0 million over the same period in 2008. Income from the Group s three ethanol LLCs decreased $1.0 million and income from Lansing Trade Group LLC (LTG) decreased $6.0 million. The pricing relationship between corn and ethanol continues to make it difficult for ethanol companies to produce ethanol at a profit. The Group, as part of its Risk Management Policy with the ethanol LLCs, has found some opportunities to lock in reasonable margins for 2009 through forward contracting. Each of the ethanol LLCs is also installing production control equipment which is expected to increase operational efficiencies. This is expected to produce significant cost savings for these entities. The decrease in income from LTG was driven primarily from losses in its meats group and reduced performance in its proprietary trading and bio-fuels divisions.

Other income decreased $0.6 million over the same period last year and relates primarily to a decrease in interest income due to lower interest rates.

Losses attributable to the 34% noncontrolling interest in The Andersons Ethanol Investment LLC (TAEI) were $0.3 million in the second quarter of 2009 compared to $0.7 million in the second quarter of 2008. When possible, the Company enters into derivative contracts with external parties to economically hedge the impact of TAME s input and output commodity prices. The impact of this derivative activity is included in gross profit and offsets some of the losses incurred by TAME. There were fewer opportunities to enter such contracts in the second quarter of 2009 than were available in the second quarter of 2008.

Rail Group

(in thousands)	**Three months ended June 30, 2009**	**2008**
Sales and merchandising revenues	**$23,762**	$42,941
Cost of sales	**18,947**	33,841
Gross profit	**4,815**	9,100
Operating, administrative and general	**3,188**	3,484
Interest expense	**1,229**	1,082
Other income, net	**221**	340
Operating income	**$ 619**	$ 4,874

Operating results for the Rail Group decreased $4.3 million over the results from the same period last year. Leasing revenues decreased $3.1 million, car sales decreased $14.0 million and sales in the Group's repair and fabrication shops decreased $2.1 million. The decrease in leasing revenues is attributable to a significant decrease in utilization as well as decreasing lease rates for renewals. Fewer cars were sold in the second quarter of 2009 compared to the same period in 2008 and with fewer cars on the rail lines overall, the opportunities for business in the repair and fabrication shops has significantly decreased.

Gross profit for the Group decreased $4.3 million, or 47% over the same period last year. Gross profit in the leasing business decreased $3.4 million, or 52%, and can be attributed to the decreased utilization and increased storage fees compared to the same period last year. Gross profit on car sales decreased $0.3 million, or 25%, and is attributable to fewer cars sold and lower scrap prices. Gross profit in the repair and fabrication shops decreased $0.7 million, or 43%.

Table of Contents

Operating expenses for the Group decreased $0.3 million for the quarter and can be attributed to decreased activity and lower expense for performance incentives.

Plant Nutrient Group

	Three months ended June 30,	
(in thousands)	**2009**	**2008**
Sales and merchandising revenues	**$197,638**	$273,501
Cost of sales	**175,532**	215,105
Gross profit	**22,106**	58,396
Operating, administrative and general	**11,626**	9,653
Interest expense	**908**	1,555
Equity in earnings of affiliates	**3**	1
Other income, net	**770**	180
Operating income	**10,345**	47,369

Operating results for the Plant Nutrient Group decreased $37.0 million over the same period last year. Excluding sales from the businesses acquired in 2008, sales decreased $82.4 million, or 32%, due to a combination of a 16% decrease in volume and an 18% decrease in the average price per ton sold. The decrease in volume is due to continued de-stocking of retailer inventory resulting from producers applying less to their crops. The decrease in the average price per ton sold is due to the significant decrease in market price for fertilizers which started in the later half of 2008. Gross profit for the Group decreased $36.3 million, or 62%, as a result of the significant decrease in margin per ton sold as well as the volume reduction mentioned previously. Included in the second quarter of 2009 are increased sales and gross profit of $7.0 million and $2.2 million, respectively, from the Group s 2008 acquisitions.

Excluding increases in operating expenses from the two new businesses acquired in 2008, operating expenses for the Group remained flat for the six month period.

Other income for the Group increased $0.6 million over the second quarter of 2008 due to forfeited customer prepayments.

Turf & Specialty Group

	Three months ended June 30,	
(in thousands)	**2009**	**2008**
Sales and merchandising revenues	**$39,752**	$35,915
Cost of sales	**32,138**	28,649
Gross profit	**7,614**	7,266
Operating, administrative and general	**4,387**	5,083
Interest expense	**421**	397
Other income, net	**236**	96
Operating income	**$ 3,042**	$ 1,882

Operating results for the Turf & Specialty Group increased $1.2 million over results from the same period last year. Sales and merchandising revenues in the lawn fertilizer business increased $3.5 million, or 11%, due primarily to increased volume within the consumer and industrial lines of business. The Group continues to see positive results from its focus on proprietary products and expanded product lines. Sales in the cob business increased $0.3 million, or 8%, over the second quarter of 2008 due to an increase in volume of 21% partially offset by a 10% decrease in the average price per ton sold. Gross profit for the Group increased $0.3 million, or 5%, over the same period due to the increased volumes mentioned previously.

Table of Contents

Operating expenses for the Group decreased $0.7 million, or 14%, over the same period last year and is due to changes among several expense categories.

Retail Group

(in thousands)	Three months ended June 30, 2009	2008
Sales and merchandising revenues	**$49,401**	$52,556
Cost of sales	**33,927**	36,176
Gross profit	**15,474**	16,380
Operating, administrative and general	**12,481**	12,964
Interest expense	**265**	217
Other income, net	**136**	161
Operating loss	**$ 2,864**	$ 3,360

Operating results for the Retail Group decreased $0.5 million over results from the same period last year. Sales and merchandising revenues decreased $3.2 million, or 6%, over the second quarter of 2008 and is a result of a 7% decrease in the average sale per customer. Customer counts were up 1% for the quarter. Gross profit decreased $0.9 million, or 6% due to the decrease in sales. Operating expenses for the Group decreased 4% due to the Group s continued cost reduction efforts.

Other

(in thousands)	Three months ended June 30, 2009	2008
Sales and merchandising revenues	**$**	$
Cost of sales		
Gross profit		
Operating, administrative and general	**1,506**	6,588
Interest expense (income)	**(164)**	(1,414)
Other income (loss), net	**771**	156
Operating loss	**$ (571)**	$(5,018)

Net corporate operating expenses not allocated to business segments decreased $5.1 million over the same period last year. The primary decreases were a $2.9 million decrease in charitable contributions, a $1.3 million decrease in performance incentives for corporate level employees, and a $0.2 million decrease in stock compensation expense for corporate level employees.

As a result of the above, income attributable to The Andersons, Inc. of $15.9 million for the second quarter of 2009 was $29.7 million lower than income attributable to The Andersons, Inc. of $45.6 million recognized in the second quarter of 2008. Income tax expense of $9.3 million was provided at 36.9%. The Company anticipates that its 2009 effective annual rate will be 36.4%. In the second quarter of 2008, income tax expense of $26.8 million was provided at a rate of 37.0%. The Company s actual 2008 effective tax rate was 33.4%.

Comparison of the six months ended June 30, 2009 with the six months ended June 30, 2008:
Grain & Ethanol Group

(in thousands)	Six months ended June 30, 2009	2008
Sales and merchandising revenues	**$980,922**	$1,194,910
Cost of sales	**934,298**	1,154,336
Gross profit	**46,624**	40,574
Operating, administrative and general	**26,727**	25,281
Interest expense	**4,796**	12,988
Equity in earnings of affiliates	**(2,895)**	16,417
Other income, net	**1,149**	3,758
Operating income before noncontrolling interest	**13,355**	22,480
(Income) loss attributable to noncontrolling interest	**1,311**	(253)
Operating income	**$ 14,666**	$ 22,227

Operating results for the Grain & Ethanol Group decreased $7.6 million over the results from the same period last year. Sales of grain for the Group decreased $201.4 million, or 21%, and is the result of a 20% decrease in the average price per bushel of grain sold, and a 1% decrease in the volume of grain sold (primarily wheat and soybeans). Sales of ethanol decreased $35.0 million, or 16%, and is due to a 20% decrease in the average price per gallon sold, partially offset by a 5% increase in volume. Merchandising revenues for the Group increased $21.2 million over the first six months of 2008 and is related primarily to an increase in basis and storage income. Basis is the difference between the local market price of a commodity and the Chicago Board of Trade futures price. During the first half of 2008, futures prices for corn and wheat rose at a substantially higher rate than the local spot prices. This caused the Group to realize basis losses on its forward purchase and sale contracts as well as its inventory. In the first half of 2009, futures prices went the opposite direction in relation to local spot prices and the Company realized gains on its forward purchase and sale contracts as well as its inventory. As these contracts are considered derivatives and recorded at estimated fair value until the contracts are eventually settled, there is a possibility that the Group will lose some of these basis gains before the end of the year. Revenues from services provided to the ethanol industry were $10.1 million, a 14% increase over the first six months of 2008. This increase is the result of having three operational facilities for the full six months ended June 30, 2009 compared to only two operational facilities for the full six months ended June 30, 2008.

Gross profit for the Group increased $6.0 million over the first six months of 2008 due primarily to the increases in basis and storage income and the increase in ethanol service fees mentioned previously.

Operating expenses for the Group increased $1.4 million, or 6%, over the same period in 2008. This increase is due primarily to increased employee related expenses related to growth.

Interest expense for the Group decreased $8.2 million, or 63%, from the same period in 2008. The significant increase in commodity prices in the first half of 2008 required the Company to increase short-term borrowings to cover margin calls, which was the main driver for the increased interest costs for the Group last year.

Equity in earnings of affiliates decreased $19.3 million over the same period in 2008. Income from the Group s three ethanol LLCs decreased $7.3 million and income from Lansing Trade Group LLC (LTG) decreased $12.0 million. The pricing relationship between corn and ethanol continues to make it difficult for ethanol companies to produce ethanol at a profit. The Group, as part of its Risk Management Policy with the ethanol LLCs, has found some opportunities to lock in reasonable margins for 2009 through forward contracting. Each of the ethanol LLCs is also installing production control equipment which is expected to increase operational efficiencies. This is expected to produce significant cost savings for these entities. The decrease in income from LTG was driven primarily from losses in its meats group and reduced performance in its proprietary trading and bio-fuels divisions.

Other income decreased $2.6 million over the same period last year and relates to both development fees earned in the first quarter of 2008 for the formation of one of the Company s ethanol joint ventures as well as decreased interest income as interest rates have fallen.

Losses attributable to the 34% noncontrolling interest in The Andersons Ethanol Investment LLC (TAEI) were $1.3 million in the first six months of 2009 compared to gains of $0.3 million in the first six months of 2008. When possible, the Company enters into derivative contracts with external parties to economically hedge the impact of TAME s input and output commodity prices. The impact of this derivative activity is included in gross profit and offsets some of the losses incurred by TAME. There were fewer opportunities to enter such contracts in the first six months of 2009 than were available in the first six months of 2008.

Rail Group

	Six months ended June 30,	
(in thousands)	**2009**	**2008**
Sales and merchandising revenues	**$50,532**	$77,952
Cost of sales	**39,986**	57,701
Gross profit	**10,546**	20,251
Operating, administrative and general	**6,801**	7,407
Interest expense	**2,431**	2,062
Other income, net	**187**	518
Operating income	**$ 1,501**	$11,300

Operating results for the Rail Group decreased $9.8 million over the results from the same period last year. Leasing revenues decreased $4.0 million, car sales decreased $19.4 million and sales in the Group s repair and fabrication shops decreased $4.0 million. The decrease in leasing revenues is attributable to a significant decrease in utilization as well as decreasing lease rates for renewals. Fewer cars were sold in the first six months of 2009 compared to the same period in 2008 and with fewer cars on the rail lines overall, the opportunities for business in the repair and fabrication shops has significantly decreased.

Gross profit for the Group decreased $9.7 million, or 48% over the same period last year. Gross profit in the leasing business decreased $6.1 million, or 45%, and can be attributed to the decreased utilization and increased storage expense compared to the same period last year. Gross profit on car sales decreased $2.1 million, or 65%, and is attributable to fewer cars sold. Gross profit in the repair and fabrication shops decreased $1.4 million, or 44%.

Operating expenses for the Group decreased $0.6 million over the same period last year and is related primarily to reduced bad debt expense. Interest expense increased $0.4 million for the first six months and can be attributed to an overall increase in the Company s long-term debt and the associated interest allocated to the Group.

Plant Nutrient Group

	Six months ended June 30,	
(in thousands)	**2009**	**2008**
Sales and merchandising revenues	**$309,400**	$378,970
Cost of sales	**272,772**	306,896
Gross profit	**36,628**	72,074
Operating, administrative and general	**23,502**	15,399

Interest expense	**1,997**	2,093
Equity in earnings of affiliates	**5**	3
Other income, net	**1,258**	324
Operating income	**$ 12,392**	$ 54,909

Table of Contents

Operating results for the Plant Nutrient Group decreased $42.5 million over the same period last year. Excluding sales from the newly acquired businesses in 2008, sales decreased $95.2 million, or 26%, due to a combination of a 16% decrease in volume coupled with a 12% decrease in the average price per ton sold. The decrease in volume is due to continued de-stocking of retailer inventory resulting from producers applying less to their crops. The decrease in the average price per ton sold is due to the significant decrease in market price for fertilizers which started in the last half of 2008. Gross profit for the Group decreased $35.4 million, or 49%, as a result of the decrease in volume mentioned previously. Included in the 2009 results are increased sales and gross profit of $26.3 million and $8.8 million, respectively, from the Group s 2008 acquisitions.

Operating expenses for the Group increased $8.1 million over the same period last year. Of this amount, $7.1 million is related to the two new businesses. The remaining increase is spread among several expense categories.

Other income for the Group increased $0.9 million over the first six months of 2008 due to forfeited customer prepayments on high priced inventory compared to current market prices.

Turf & Specialty Group

	Six months ended June 30,	
(in thousands)	**2009**	2008
Sales and merchandising revenues	**$84,455**	$75,576
Cost of sales	**68,422**	61,384
Gross profit	**16,033**	14,192
Operating, administrative and general	**9,623**	9,677
Interest expense	**812**	822
Other income, net	**541**	189
Operating income	**$ 6,139**	$ 3,882

Operating results for the Turf & Specialty Group increased $2.3 million over results from the same period last year. Sales in the lawn fertilizer business increased $8.2 million, or 12%, due primarily to increased volume within the consumer and industrial lines of business. The Group continues to see positive results from its focus on proprietary products and expanded product lines. The current economic conditions had a negative impact on the professional line of business. Sales in the cob business increased 8% over the first six months of 2008 due to an increase in volume of 17% partially offset by a 7% decrease in the average price per ton sold. Gross profit for the Group increased $1.8 million, or 13%, over the same period due to the increased volumes mentioned previously.

Both operating expenses and interest expense for the Group remained relatively flat period over period.

Retail Group

	Six months ended June 30,	
(in thousands)	**2009**	2008
Sales and merchandising revenues	**$83,037**	$86,293
Cost of sales	**58,160**	60,806
Gross profit	**24,877**	25,487
Operating, administrative and general	**24,462**	25,406
Interest expense	**499**	406
Other income, net	**247**	308

Operating loss	**$ 163**	$ (17)

Table of Contents

Operating results for the Retail Group increased $0.2 million over results from the same period last year. Sales and merchandising revenues decreased $3.3 million, or 4%, over the first six months of 2008 and is a result of a 5% decrease in the average sale per customer. Customer counts were up 2% in the first six months of 2009 compared to the first six months of 2008. Gross profit decreased $0.6 million, or 2% due to the decrease in sales. Operating expenses for the Group decreased 4% due to the Group s continued cost reduction efforts.

Other

(in thousands)	Six months ended June 30, 2009	Six months ended June 30, 2008
Sales and merchandising revenues	**$**	$
Cost of sales		
Gross profit		
Operating, administrative and general	**2,138**	8,094
Interest expense (income)	**316**	(728)
Other income (loss), net	**581**	(58)
Operating loss	**$(1,873)**	$(7,424)

Net corporate operating expenses not allocated to business segments decreased $6.1 million over the same period last year. The primary decreases were a $2.7 million decrease in charitable contributions and a $1.6 million decrease in performance incentives for corporate level employees. Both of these are driven by full year earnings expectations at that time which were higher at the end of the second quarter last year than the expectations are for the current year.

As a result of the above, income attributable to The Andersons, Inc. of $20.9 million for the first six months of 2009 was $32.6 million lower than income attributable to The Andersons, Inc. of $53.4 million recognized in the first six months of 2008. Income tax expense of $12.1 million was provided at 36.7%. The Company anticipates that its 2009 effective annual rate will be 36.4%. In the first six months of 2008, income tax expense of $31.4 million was provided at a rate of 37.0%. The Company s actual 2008 effective tax rate was 33.4%.

Liquidity and Capital Resources

Operating Activities and Liquidity

The Company s operations provided cash of $131.3 million in the first six months of 2009, a change from a use of cash of $256.1 million in the first six months of 2008. Net working capital at June 30, 2009 was $337.4 million, a $6.7 million increase from December 31, 2008 and a $30.1 million increase from June 30, 2008. There were no short-term borrowings used to fund operations at June 30, 2009 and December 31, 2008. At June 30, 2008, there was $433.0 million outstanding, an increase of $187.0 million from December 31, 2007. This significant decrease in short-term borrowing needs is due to the decrease in commodity and fertilizer prices from the unprecedented highs experienced in 2008. The decrease in commodity prices and the corresponding return of margin dollars from the Chicago Board of Trade is the reason for the significant increase in cash at June 30, 2009 to $179.8 million.

The Company received net refunds of income tax overpayments of $23.8 million in the first six months of 2009. The Company expects to make payments totaling approximately $12.0 million for the remainder of 2009.

Table of Contents

Investing Activities

Total capital spending for 2009 on property, plant and equipment and business acquisitions is expected to be approximately $51 million. Through the first six months of 2009, the Company has spent $7.3 million on property, plant and equipment within its base business.

On August 1, 2009, the Company acquired the Fertilizer Division of Hartung Brothers, Inc. (HBI) for a purchase price of $25.0 million. The Company will also be purchasing HBI s remaining inventory after a physical inventory is completed. HBI is a regional wholesale supplier of liquid fertilizers with six facilities located in Wisconsin and Minnesota.

In addition to spending on conventional property, plant and equipment and business acquisitions, the Company expects to spend $75.0 million for the purchase of railcars and locomotives and capitalized modifications of railcars partially offset by proceeds from the sales and dispositions of railcars of $55.0 million. Through June 30, 2009, the Company invested $11.9 million in the purchase of additional railcars and related leases, partially offset by proceeds from sales of $4.9 million.

Financing Arrangements

The Company has significant 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 amended in April 2009, to provide the Company with $490 million in short-term lines of credit and $85 million in long-term lines of credit. The Company had nothing drawn on its short-term line of credit at June 30, 2009. Peak short-term borrowings for the Company to date are $92.7 million on February 6, 2009. 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 $0.0775 was paid in the first and second quarters of 2008. A cash dividend of $0.085 was paid in the third and fourth quarters of 2008 and the first quarter of 2009. A cash dividend of $0.0875 was paid in the second quarter of 2009 and on May 8, 2009, the Company declared a cash dividend of $0.0875 per common share payable on July 22, 2009 to shareholders of record on July 1, 2009. During the first three months of 2009, 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, 2009. 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. Prior to the measurement date but subsequent to June 30, 2009, the Company received a modification to its debt agreement for TOP CAT Holding Company LLC, a wholly owned subsidiary of the Company. The modification reduced the utilization ratio requirement from 80% to 60%. This reduction in the required utilization ratio is expected to minimize the risk of a rapid amortization event in the future should utilization notes continue to decrease.

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 volatility in the capital and credit markets has had a significant impact on the economy. While this volatile and challenging economic environment is a reality, the Company has continued to have good access to the credit markets. Over the past year, the Company has been able to successfully work with its lenders to expand and contract its borrowing capacity under the short-term line as needed to ensure that it has an adequate liquidity cushion. This is due, in part, to the fact that the Company reduced its reliance on short-term credit facilities by raising $211.2 million in long-term debt during 2008. In the unlikely event the Company was faced with a situation where it was not able to access the capital markets , the Company

Table of Contents

believes it could successfully implement contingency plans to maintain adequate liquidity such as expanding or contracting the amount of its forward grain contracting, which will reduce the impact of grain price volatility on its daily margin calls. Additionally, the Company could begin to liquidate its stored grain inventory as well as execute sales contracts with its customers that align the timing of the receipt of grain from its producers to the shipment of grain to its customers (thereby freeing up working capital that is typically utilized to store the grain for extended periods of time). The Company believes that its operating cash flow, the marketability of its grain inventories, other liquidity contingency plans and its access to sufficient sources of liquidity, will enable it to meet its ongoing funding requirements. At June 30, 2009 the Company s balance in cash and cash equivalents was $179.8 million.

The Company had standby letters of credit outstanding of $13.9 million at June 30, 2009, of which $8.1 million represents a credit enhancement for industrial revenue bonds. After the standby letters of credit, the Company had $561.1 million remaining available under its former short-term line of credit at June 30, 2009.

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, 2009:

Method of Control	Financial Statement	Number
Owned-railcar assets available for sale	On balance sheet current	80
Owned-railcar assets	On balance sheet noncurrent	13,071
Railcars leased from financial intermediaries	Off balance sheet	8,123
Railcars non-recourse arrangements	Off balance sheet	2,410
Total Railcars		23,684
Locomotive assets	On balance sheet noncurrent	25
Locomotives leased from financial intermediaries	Off balance sheet	4
Locomotives leased from financial intermediaries under limited recourse arrangements	Off balance sheet	17
Locomotives non-recourse arrangements	Off balance sheet	78
Total Locomotives		124

In addition, the Company manages 788 railcars for third-party customers or owners for which it receives a fee.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The market risk inherent in the Company s market risk-sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices and interest rates as discussed below.

Commodity Prices

The availability and price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand created by demand for ethanol, population growth and higher standards of living, and global production of similar competitive crops. To reduce price risk caused by market fluctuations, the Company follows a policy of entering into economic hedges of its inventories and related purchase and sale contracts. The instruments used are exchange-traded futures and options contracts that function as hedges. The market value of exchange-traded futures and options used for economic hedging has historically had a high, but not perfect correlation, to the underlying market value of grain inventories and related purchase and sale contracts. The less correlated portion of inventory and purchase and sale contract market value (known as basis) is managed by the Company using a daily grain position report to constantly monitor the Company s position relative to the price changes in the market. In addition, inventory values are affected by the month-to-month spread relationships in the regulated futures markets, as the Company carries inventories over time. These spread relationships are also less volatile than the overall market value and tend to follow historical patterns but also represent risk that cannot be directly hedged. The Company s accounting policy for its futures and options contracts, as well as the underlying inventory positions and purchase and sale contracts, is to mark them to the market price daily and include gains and losses in the statement of income in sales and merchandising revenues.

A sensitivity analysis has been prepared to estimate the Company s exposure to market risk of its commodity position (exclusive of basis risk). The Company s daily net commodity position consists of inventories, related purchase and sale contracts and exchange-traded contracts. The fair value of the position is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures market prices. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in such prices. The result of this analysis, which may differ from actual results, is as follows:

(in thousands)	**June 30, 2009**	**December 31, 2008**
Net long (short) position	**$4,364**	$ (325)
Market risk	**436**	(33)

Interest Rates

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 addition, the Company has derivative interest rate contracts recorded on its balance sheet at their fair values. The fair value of these contracts is estimated based on quoted market termination values. Market risk, which is estimated as the potential increase in fair value resulting from a hypothetical one-half percent decrease in interest rates, is summarized below:

(in thousands)	**June 30, 2009**	**December 31, 2008**
Fair value of long-term debt and interest rate contracts	**$341,741**	$ 353,905
Fair value in excess of (less than) carrying value	**(9,713)**	(10,213)
Market risk	**14,428**	13,217

Table of Contents

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, 2009, 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 composed entirely of independent directors, meets regularly with members of management and our internal auditors to review accounting, auditing and financial matters.

There have been no changes during the quarter ended June 30, 2009 in the Company s internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company s internal controls over financial reporting.

Part II. Other Information

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 2008 10-K (Item 1A). There has been no material changes in the risk factors set forth therein.

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of the shareholders of The Andersons, Inc. was held on May 8, 2009 to elect nine directors, to ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm and to approve a change to the article of incorporation to increase the number of authorized shares. Results of the voting follow:

	For	Against	Withheld	Not Voted
Director				
Michael J. Anderson	16,312,813		153,177	1,759,805
Gerard M. Anderson	14,489,452		1,976,537	1,759,805
Catherine M. Kilbane	16,403,077		62,913	1,759,805
Robert J. King, Jr.	16,408,973		57,016	1,759,805
Ross W. Manire	16,399,126		66,863	1,759,805
Donald L. Mennel	16,310,836		155,153	1,759,805
David L. Nichols	15,995,055		470,934	1,759,805
Charles A. Sullivan	15,945,529		520,460	1,759,805
Jacqueline F. Woods	16,405,333		60,656	1,759,805
Ratification of independent registered public accounting firm	16,276,406	140,974	48,609	1,759,805
Approval of change to the articles of incorporation	10,990,014	2,067,400	1,295,650	2,112,925

Table of Contents

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 7, 2009	By /s/ Michael J. Anderson
	Michael J. Anderson President and Chief Executive Officer
Date: August 7, 2009	By /s/ Richard R. George
	Richard R. George Vice President, Controller and CIO (Principal Accounting Officer)
Date: August 7, 2009	By /s/ Gary L. Smith
	Gary L. Smith 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)
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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