

ANDERSONS INC
Form 10-Q
August 05, 2011

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

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

For the quarterly period ended June 30, 2011

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

For the transition period from _____ to _____

Commission file number 000-20557

THE ANDERSONS, INC.

(Exact name of the registrant as specified in its charter)

OHIO

(State of incorporation or organization)

34-1562374

(I.R.S. Employer Identification No.)

480 W. Dussel Drive, Maumee, Ohio
(Address of principal executive offices)

43537
(Zip Code)

(419) 893-5050
(Telephone Number)

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

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

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

Large accelerated filer

Accelerated Filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The registrant had approximately 18.6 million common shares outstanding, no par value, at July 31, 2011.

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

	June 30, 2011	December 31, 2010	June 30, 2010
Assets			
Current assets:			
Cash and cash equivalents	\$ 18,616	\$ 29,219	\$ 204,317
Restricted cash	12,572	12,134	3,548
Accounts receivable, net	240,254	152,227	132,701
Inventories	469,551	647,189	237,994
Commodity derivative assets current	187,438	246,475	21,534
Deferred income taxes	17,710	16,813	11,572
Other current assets	30,867	34,501	20,604
Total current assets	977,008	1,138,558	632,270
Other assets:			
Commodity derivative assets noncurrent	8,560	18,113	389
Other assets, net	46,610	47,855	41,192
Equity method investments	179,888	175,349	168,098
	235,058	241,317	209,679
Railcar assets leased to others, net	178,141	168,483	169,331
Property, plant and equipment, net	153,642	151,032	144,165
Total assets	\$ 1,543,849	\$ 1,699,390	\$ 1,155,445

See notes to condensed consolidated financial statements

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

	June 30,	December	June 30,
	2011	31,	2010
		2010	
Liabilities and Shareholders' equity			
Current liabilities:			
Borrowings under short-term line of credit	\$ 194,200	\$ 241,100	\$
Accounts payable for grain	80,374	274,596	76,922
Other accounts payable	164,325	111,501	115,023
Customer prepayments and deferred revenue	64,231	78,550	12,712
Commodity derivative liabilities - current	24,289	57,621	54,918
Accrued expenses and other current liabilities	51,410	48,851	49,408
Current maturities of long-term debt	45,432	24,524	23,986
Total current liabilities	624,261	836,743	332,969
Other long-term liabilities	33,757	25,183	17,472
Commodity derivative liabilities - noncurrent	1,850	3,279	2,911
Employee benefit plan obligations	30,835	30,152	28,711
Long-term debt, less current maturities	260,645	276,825	281,740
Deferred income taxes	68,038	62,649	49,085
Total liabilities	1,019,386	1,234,831	712,888
Commitments and contingencies (Note 11)			
Shareholders' equity:			
Common shares, without par value (42,000 shares authorized at 6/30/11 and 12/31/10; 25,000 shares authorized at 6/30/10; 19,198 shares issued)	96	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)			
Additional paid-in-capital	177,266	177,875	176,736
Treasury shares (629, 762 and 769 shares at 6/30/11, 12/31/10 and 6/30/10, respectively; at cost)	(12,214)	(14,058)	(14,158)
Accumulated other comprehensive loss	(29,467)	(28,799)	(26,807)
Retained earnings	374,715	316,317	292,780
Total shareholders' equity of The Andersons, Inc.	510,396	451,431	428,647
Noncontrolling interest	14,067	13,128	13,910
Total shareholders' equity	524,463	464,559	442,557
Total liabilities and shareholders' equity	\$ 1,543,849	\$ 1,699,390	\$ 1,155,445

See notes to condensed consolidated financial statements

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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,	
	2011	2010	2011	2010
Sales and merchandising revenues	\$ 1,338,167	\$ 810,999	\$ 2,339,841	\$ 1,532,997
Cost of sales and merchandising revenues	1,215,395	723,445	2,138,384	1,386,893
Gross profit	122,772	87,554	201,457	146,104
Operating, administrative and general expenses	57,730	51,107	111,437	96,510
Interest expense	7,562	4,663	14,898	9,298
Other income:				
Equity in earnings of affiliates	12,512	6,667	19,758	16,572
Other income, net	2,018	1,881	4,324	5,535
Income before income taxes	72,010	40,332	99,204	62,403
Income tax provision	25,975	14,553	35,781	23,968
Net income	46,035	25,779	63,423	38,435
Net income attributable to the noncontrolling interest	(817)	(610)	(939)	(1,001)
Net income attributable to The Andersons, Inc.	\$ 45,218	\$ 25,169	\$ 62,484	\$ 37,434
Per common share:				
Basic earnings attributable to The Andersons, Inc. common shareholders	\$ 2.44	\$ 1.37	\$ 3.37	\$ 2.04
Diluted earnings attributable to The Andersons, Inc. common shareholders	\$ 2.42	\$ 1.36	\$ 3.34	\$ 2.02
Dividends paid	\$ 0.1100	\$ 0.0900	\$ 0.2200	\$ 0.1775

See notes to condensed consolidated financial statements

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

	Six months ended	
	June 30,	
	2011	2010
Operating Activities		
Net income	\$ 63,423	\$ 38,435
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	19,951	18,813
Bad debt expense (recovery)	2,702	(570)
Equity in earnings of unconsolidated affiliates, net of distributions received	(4,439)	(10,738)
Gains on sales of railcars and related leases	(7,033)	(3,989)
Excess tax benefit from share-based payment arrangement	(21)	(766)
Deferred income taxes	4,443	2,799
Stock based compensation expense	1,863	1,365
Other	14	104
Changes in operating assets and liabilities:		
Accounts receivable	(90,627)	5,296
Inventories	177,357	173,232
Commodity derivatives	33,294	71,535
Other assets	8,790	9,145
Accounts payable for grain	(194,222)	(161,733)
Other accounts payable and accrued expenses	47,744	(37,736)
Net cash provided by operating activities	63,239	105,192
Investing Activities		
Purchases of railcars	(32,155)	(8,956)
Proceeds from sale of railcars	17,774	12,637
Purchases of property, plant and equipment	(12,572)	(15,245)
Proceeds from sale of property, plant and equipment	120	92
Acquisition of business		(7,214)
Investment in convertible preferred securities		(13,100)
Purchase of investment	(100)	
Change in restricted cash	(438)	(425)
Net cash used in investing activities	(27,371)	(32,211)
Financing Activities		
Net change in short-term borrowings	(46,900)	
Proceeds from issuance of long-term debt	44,391	2,460
Payments of long-term debt	(39,663)	(15,695)
Proceeds from sale of treasury shares to employees and directors	710	1,290
Payments of debt issuance costs	(815)	(151)
Purchase of treasury stock	(140)	
Dividends paid	(4,075)	(3,263)

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Excess tax benefit from share-based payment arrangement	21	766
Net cash used in financing activities	(46,471)	(14,593)
(Decrease) increase in cash and cash equivalents	(10,603)	58,388
Cash and cash equivalents at beginning of period	29,219	145,929
Cash and cash equivalents at end of period	\$ 18,616	\$ 204,317

See notes to condensed consolidated financial statements

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

	The Andersons, Inc. Shareholders Equity							Total
	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interest		
Balance at December 31, 2009	\$ 96	\$ 175,477	\$ (15,554)	\$ (25,314)	\$ 258,662	\$ 12,909	\$ 406,276	
Net income					37,434	1,001	38,435	
Other comprehensive income:								
Unrecognized actuarial loss and prior service costs (net of income tax of \$993)				(1,263)			(1,263)	
Cash flow hedge activity (net of income tax of \$147)				(230)			(230)	
Comprehensive income							36,942	
Stock awards, stock option exercises and other shares issued to employees and directors (149 shares)		1,259	1,396				2,655	
Dividends declared (\$0.18 per common share)					(3,316)		(3,316)	
Balance at June 30, 2010	\$ 96	\$ 176,736	\$ (14,158)	\$ (26,807)	\$ 292,780	\$ 13,910	\$ 442,557	
Balance at December 31, 2010	\$ 96	\$ 177,875	\$ (14,058)	\$ (28,799)	\$ 316,317	\$ 13,128	\$ 464,559	
Net income					62,484	939	63,423	
Other comprehensive income:								

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

1. Basis of Presentation and Consolidation

These condensed consolidated financial statements include the accounts of The Andersons, Inc. and its wholly owned and controlled subsidiaries (the Company). All significant intercompany accounts and transactions are eliminated in consolidation.

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

In the opinion of management, all adjustments, consisting of normal recurring items, considered necessary for a fair presentation of the results of operations for the periods indicated, have been made. Operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2011.

The year-end Condensed Consolidated Balance Sheet data at December 31, 2010 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, 2010 has been included as the Company operates in several seasonal industries.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in The Andersons, Inc. Annual Report on Form 10-K for the year ended December 31, 2010 (the 2010 Form 10-K).

New Accounting Standards

In May 2011, the Financial Accounting Standards Board (FASB) updated Accounting Standards Code (ASC) Topic 820, to clarify requirements on fair value measurements and related disclosures. This update is effective for interim and annual periods beginning after December 15, 2011. The additional requirements in this update will be included in the note on fair value measurements upon adoption in the first quarter of 2012. Management does not expect this update to have a material impact on our financial condition or results of operations.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05). The amendments in ASU 2011-05 require entities to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, the amendments in ASU 2011-05 require an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011. Management does not expect material financial statement implications relating to the adoption of this ASU.

Table of Contents**2. Inventories**

Major classes of inventories are as follows:

(in thousands)	June 30, 2011	December 31, 2010	June 30, 2010
Grain	\$ 303,961	\$ 497,267	\$ 129,909
Agricultural fertilizer and supplies	112,892	90,182	57,975
Lawn and garden fertilizer and corncob products	22,585	32,954	20,600
Retail merchandise	27,492	24,416	25,899
Railcar repair parts	2,252	2,058	3,261
Other	369	312	350
	\$ 469,551	\$ 647,189	\$ 237,994

3. Property, Plant and Equipment

The components of property, plant and equipment are as follows:

(in thousands)	June 30, 2011	December 31, 2010	June 30, 2010
Land	\$ 15,424	\$ 15,424	\$ 15,301
Land improvements and leasehold improvements	45,634	45,080	43,701
Buildings and storage facilities	142,864	141,349	133,445
Machinery and equipment	186,245	181,650	171,921
Software	10,603	10,306	10,115
Construction in progress	6,696	2,572	7,871
	407,466	396,381	382,354
Less accumulated depreciation and amortization	253,824	245,349	238,189
	\$ 153,642	\$ 151,032	\$ 144,165

Depreciation expense on property, plant and equipment amounted to \$9.9 million, \$18.7 million and \$9.2 million for the six month period ended June 30, 2011, the twelve month period ended December 31, 2010 and the six month period ended June 30, 2010, respectively.

Railcar assets leased to others

The components of Railcar and other assets leased to others are as follows:

(in thousands)	June 30, 2011	December 31, 2010	June 30, 2010
Railcars leased to others	\$ 248,030	\$ 234,667	\$ 230,442
Less accumulated depreciation	69,889	66,184	61,111
	\$ 178,141	\$ 168,483	\$ 169,331

Depreciation expense on railcar assets leased to others amounted to \$6.7 million, \$14.0 million and \$7.4 million for the six month period ended June 30, 2011, the twelve month period ended December 31, 2010 and the six month

period ended June 30, 2010, respectively.

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The margin deposit assets and liabilities which were shown net on the face of the balance sheet in previous periods are now included in short-term commodity derivative assets and liabilities, as appropriate. Prior periods have been reclassified to conform to current year presentation. The change in presentation had no effect on current or total assets and liabilities on the Consolidated Balance Sheets.

The Company's operating results are affected by changes to commodity prices. The Grain Division 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 commodity futures contracts, primarily via a regulated exchange such as the Chicago Mercantile Exchange and, to a lesser extent, via over-the-counter contracts with various counterparties. The Company's forward contracts are for physical delivery of the commodity in a future period. Contracts to purchase grain from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of grain to processors or other commercial consumers generally do not extend beyond one year. The Company, although to a lesser extent, also enters into option contracts for the purpose of providing pricing features to its customers and to manage price risk on its own inventory. All of these contracts are considered derivatives. While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges as defined under current accounting standards. The Company accounts for its commodity derivatives at estimated fair value, the same method it uses to value its grain inventory. The estimated fair value of the commodity derivative contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received, also known as margin deposits) within commodity derivative assets or liabilities. Management determines fair value based on exchange-quoted prices and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets and non-performance risk. For contracts for which physical delivery occurs, balance sheet classification is based on estimated delivery date. For futures, options and over-the-counter contracts in which physical delivery is not expected to occur but, rather, the contract is expected to be net settled, the Company classifies these contracts as current assets or as current liabilities, as appropriate, based on the Company's expectations as to when such contracts will be settled.

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.

Generally accepted accounting principles permit a party to a master netting arrangement to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or obligation to return cash collateral under the same master netting arrangement. Note 1 of the Company's 2010 Form 10-K provides information surrounding the Company's various master netting arrangements related to its futures, options and over-the-counter contracts. The following table presents at June 30, 2011, December 31, 2010 and June 30, 2010, a summary of the estimated fair value of the Company's commodity derivative instruments that require cash collateral and the associated cash posted/received as collateral. The net asset or liability positions of these derivatives (net of their cash collateral) are determined on a counterparty-by-counterparty basis and are included within short-term commodity derivative assets (or liabilities) on the Consolidated Balance Sheets:

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(in thousands)	June 30, 2011		December 31, 2010		June 30, 2010	
	Net derivative asset position	Net derivative liability position	Net derivative asset position	Net derivative liability position	Net derivative asset position	Net derivative liability position
Collateral paid	\$ 43,191	\$	\$ 166,589	\$	\$	\$
Collateral received					(17,675)	(7,467)
Fair value of derivatives	40,476		(146,330)		25,059	
Balance at end of period	\$ 83,667	\$	\$ 20,259	\$	\$ 7,384	\$ (7,467)

Certain of our contracts allow the Company to post grain inventory as collateral rather than cash. Grain inventory posted as collateral on our derivative contracts are recorded in Inventories on the Consolidated Balance Sheets and the estimated fair value of such inventory was \$78.2 million, \$27.3 million and \$6.2 million as of June 30, 2011, December 31, 2010 and June 30, 2010, respectively.

The gains included in the Company's Condensed Consolidated Statements of Income and the line items in which they are located for the three and six months ended June 30, 2011 are as follows:

(in thousands)	Three months ended June 30, 2011	Six months ended June 30, 2011
Gains on commodity derivatives included in sales and merchandising revenues	\$ 102,585	\$ 103,863

At June 30, 2011, the Company had the following bushels, tons and gallons outstanding (on a gross basis) on all commodity derivative contracts:

Commodity	Number of bushels (in thousands)	Number of tons (in thousands)	Number of gallons (in thousands)
Non-exchange traded:			
Corn	308,168		
Soybeans	18,716		
Wheat	12,881		
Oats	14,482		
Soymeal			
Ethanol			202,013
Other	663		
Subtotal	354,910		202,013

Exchange traded:

Corn	123,525		
Soybeans	17,170		
Wheat	44,100		
Oats	3,470		
Soymeal		4	
Ethanol			37,575
Other			120
Subtotal	188,265	4	37,695
Total	543,175	4	239,708

Interest Rate and Foreign Currency Derivatives

The Company periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. Information regarding the nature and terms of the Company's interest rate derivatives is presented in Note 15

Derivatives, in the Company's 2010 Annual Report on Form 10-K and such information is consistent with that as of June 30, 2011. The fair values of these derivatives are not material for any of the periods presented and are included in the Company's Condensed Consolidated Balance Sheet in either other current liabilities (if short-term in nature) or in other assets or other long-term liabilities (if non-current in nature).

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The impact to the Company's results of operations related to these interest rate derivatives was not material for any period presented.

In the second quarter, the Company entered into three \$20 million interest rate caps to hedge expected borrowings for the time period from November 2011 to May 2012. These short-term caps are forward starting and are marked to market, with changes in fair value recorded to income on a quarterly basis. The impact on income for the second quarter was not material.

The Company holds 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. Information regarding the nature and terms of this derivative is presented in Note 15 Derivatives, in the Company's 2010 Annual Report on Form 10-K and such information is consistent with that as of June 30, 2011. The fair value of this derivative and its impact to the Company's results of operations for any of the periods presented were not material.

5. Earnings Per Share

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

(in thousands, except per common share data)	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Net income attributable to The Andersons, Inc.	\$ 45,218	\$ 25,169	\$ 62,484	\$ 37,434
Less: Distributed and undistributed earnings allocated to nonvested restricted stock	205	81	235	112
Earnings available to common shareholders	\$ 45,013	\$ 25,088	\$ 62,249	\$ 37,322
Earnings per share basic:				
Weighted average shares outstanding basic	18,485	18,366	18,469	18,340
Earnings per common share basic	\$ 2.44	\$ 1.37	\$ 3.37	\$ 2.04
Earnings per share diluted:				
Weighted average shares outstanding basic	18,485	18,366	18,469	18,340
Effect of dilutive awards	134	97	168	126
Weighted average shares outstanding diluted	18,619	18,463	18,637	18,466
Earnings per common share diluted	\$ 2.42	\$ 1.36	\$ 3.34	\$ 2.02

There were no antidilutive stock-based awards outstanding for the three and six month periods ended June 30, 2011. For the three and six month periods ended June 30, 2010 there were approximately 21 thousand and 14 thousand antidilutive stock-based awards outstanding.

6. Employee Benefit Plans

Included as charges against income for the three and six months ended June 30, 2011 and 2010 are the following amounts for pension and postretirement benefit plans maintained by the Company:

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(in thousands)	Pension Benefits			
	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Service cost	\$	\$ 1,257	\$	\$ 1,614
Interest cost		1,163	1,134	2,289
Expected return on plan assets		(1,558)	(1,362)	(3,118)
Recognized net actuarial loss		247	892	470
Benefit (income) cost	\$	(148)	\$ 1,921	\$ (359)
				\$ 2,374

(in thousands)	Postretirement Benefits			
	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Service cost	\$	136	\$ 114	\$ 277
Interest cost		325	306	643
Amortization of prior service cost		(136)	(127)	(272)
Recognized net actuarial loss		242	187	451
Benefit cost	\$	567	\$ 480	\$ 1,099
				\$ 929

In March 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. One of the provisions of the PPACA eliminates the tax deductibility of retiree health care costs to the extent of federal subsidies received by plan sponsors that provide retiree prescription drug benefits equivalent to Medicare Part D coverage. As a result, the Company was required to make an adjustment to its deferred tax asset associated with its postretirement benefit plan in the amount of \$1.5 million during the first quarter of 2010. The offset to this adjustment was included in the provision for income taxes on the Company's Consolidated Statement of Income.

7. Segment Information

During the first quarter of 2011, management re-evaluated the Company's reportable segments. Based on that evaluation, the Company has begun to separate the segment previously reported as Grain & Ethanol into two separate reportable segments for external financial reporting. We have also evaluated the impact of this change on the recoverability of our goodwill and no impairment charge was necessary. Corresponding items of segment information for earlier periods have been reclassified to conform to current year presentation.

The Company's operations include six reportable business segments that are distinguished primarily on the basis of products and services offered. The Grain business includes grain merchandising, the operation of terminal grain elevator facilities and the investment in Lansing Trade Group LLC (LTG). The Ethanol business purchases and sells ethanol and also manages the ethanol production facilities organized as limited liability companies (ethanol LLCs) in which the Company has investments and various service contracts for these investments. Rail operations include the leasing, marketing and fleet management of railcars and locomotives, railcar repair and metal fabrication. The Plant Nutrient business manufactures and distributes agricultural inputs, primarily fertilizer, to dealers and farmers. Turf & Specialty operations include the production and distribution of turf care and corncob-based products. The Retail business operates large retail stores, a specialty food market, a distribution center and a lawn and garden equipment sales and service shop. Included in Other are the corporate level amounts not attributable to an operating segment.

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	Results of Operations Segment Disclosures							Total
	(in thousands)							
Second quarter ended June 30, 2011	Grain	Ethanol	Rail	Plant Nutrient	Turf & Specialty	Retail	Other	
Revenues from external customers	\$ 797,130	\$ 164,704	\$ 29,501	\$ 259,823	\$ 41,551	\$ 45,458	\$	\$ 1,338,167
Inter-segment sales	1			3,221	627			3,849
Equity in earnings of affiliates	5,428	7,082		2				12,512
Other income, net	522	37	841	134	259	144	81	2,018
Interest expense	3,859	274	1,511	973	372	207	366	7,562
Operating income (loss) (a)	36,541	8,830	2,763	24,077	1,778	1,877	(4,673)	71,193
Income attributable to noncontrolling interest		(817)						(817)
Income (loss) before income taxes	36,541	9,647	2,763	24,077	1,778	1,877	(4,673)	72,010
Second quarter ended June 30, 2010	Grain	Ethanol	Rail	Plant Nutrient	Turf & Specialty	Retail	Other	Total
Revenues from external customers	\$ 360,635	\$ 113,045	\$ 23,635	\$ 228,404	\$ 41,182	\$ 44,098	\$	\$ 810,999
Inter-segment sales	2		147	2,354	400			2,903
Equity in earnings of affiliates	2,272	4,393		2				6,667
Other income (loss), net	605	19	499	302	377	157	(78)	1,881
Interest expense	840	238	1,317	1,133	503	269	363	4,663
Operating income (loss) (a)	13,373	6,249	114	19,017	2,486	2,078	(3,595)	39,722
Income attributable to noncontrolling interest		(610)						(610)
Income (loss) before income taxes	13,373	6,859	114	19,017	2,486	2,078	(3,595)	40,332
Six months ended June 30, 2011	Grain	Ethanol	Rail	Plant Nutrient	Turf & Specialty	Retail	Other	Total
Revenues from external customers	\$ 1,435,097	\$ 297,452	\$ 58,411	\$ 383,472	\$ 88,821	\$ 76,588	\$	\$ 2,339,841
Inter-segment sales	2		189	8,606	1,332			10,129
Equity in earnings of affiliates	11,658	8,096		4				19,758

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Other income, net	1,102	95	1,594	259	549	300	425	4,324
Interest expense (income)	8,699	686	2,958	1,816	821	467	(549)	14,898
Operating income (loss) (a)	51,642	12,401	6,309	29,191	5,056	(787)	(5,547)	98,265
Income attributable to noncontrolling interest		(939)						(939)
Income (loss) before income taxes	51,642	13,340	6,309	29,191	5,056	(787)	(5,547)	99,204

Six months ended June 30, 2010

	Grain	Ethanol	Rail	Plant Nutrient	Turf & Specialty	Retail	Other	Total
Revenues from external customers	\$ 763,003	\$ 231,566	\$ 50,325	\$ 331,562	\$ 82,815	\$ 73,726	\$	\$ 1,532,997
Inter-segment sales	2		301	6,992	1,033			8,328
Equity in earnings of affiliates	5,331	11,237		4				16,572
Other income, net	1,255	42	2,308	633	794	276	227	5,535
Interest expense	2,231	452	2,644	2,266	1,042	556	107	9,298
Operating income (loss) (a)	25,571	14,767	1,140	19,736	5,150	(749)	(4,213)	61,402
Income attributable to noncontrolling interest		(1,001)						(1,001)
Income (loss) before income taxes	25,571	15,768	1,140	19,736	5,150	(749)	(4,213)	62,403

(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.

8. Related Party TransactionsEquity Method Investments

The Company, directly or indirectly, holds investments in companies that are accounted for under the equity method. The Company's equity in these entities is presented at cost plus its accumulated proportional share of income or loss, less any distributions it has received. See Note 3 in the Company's 2010 Form 10-K for more information, including descriptions of various arrangements the Company has with certain of these entities.

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For the quarters ended June 30, 2011 and 2010, revenues recognized for the sale of ethanol that the Company purchased from the ethanol LLCs were \$168.7 million and \$97.5 million, respectively. For the six months ended June 30, 2011 and 2010, revenues recognized for the sale of ethanol that the Company purchased from the ethanol LLCs were \$326.7 million and \$210.1 million, respectively. For the quarters ended June 30, 2011 and 2010, revenues recognized for the sale of corn to the ethanol LLCs under these agreements were \$194.4 million and \$97.6 million, respectively. For the six months ended June 30, 2011 and 2010, revenues recognized for the sale of corn to the ethanol LLCs were \$341.1 million and \$195.2 million, respectively.

The Company also sells and purchases both grain and ethanol with LTG in the ordinary course of business on terms similar to sales and purchases with unrelated customers.

From time to time, the Company enters into derivative contracts with certain of its related parties, including the ethanol LLCs and LTG, for the purchase and sale of corn and ethanol, for similar price risk mitigation purposes and on similar terms as the purchase and sale of derivative contracts it enters into with unrelated parties. At June 30, 2011, the fair value of derivative contracts with related parties was a gross asset and liability of \$4.1 million and \$2.3 million, respectively.

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

(in thousands)	% ownership at June 30, 2011 (direct and indirect)	Three months ended		Six months ended	
		June 30,		June 30,	
		2011	2010	2011	2010
The Andersons Albion Ethanol LLC	50%	\$ 2,146	\$ 1,201	\$ 2,530	\$ 3,922
The Andersons Clymers Ethanol LLC	38%	2,783	2,047	2,919	4,931
The Andersons Marathon Ethanol LLC	50%	2,153	1,145	2,648	2,384
Lansing Trade Group LLC	51%	5,346	2,272	11,512	5,158
Other	7%-33%	84	2	149	177
Total		\$ 12,512	\$ 6,667	\$ 19,758	\$ 16,572

Total distributions received from unconsolidated affiliates were \$6.7 million and \$15.3 million for the three and six months ended June 30, 2011.

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

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

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

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(in thousands)	June 30, 2011	December 31, 2010	June 30, 2010
The Andersons Albion Ethanol LLC	\$ 31,075	\$ 31,048	\$ 32,635
The Andersons Clymers Ethanol LLC	40,106	37,496	37,109
The Andersons Marathon Ethanol LLC	37,577	34,929	36,197
Lansing Trade Group LLC	69,175	70,143	60,729
Other	1,955	1,733	1,428
Total	\$ 179,888	\$ 175,349	\$ 168,098

Investment in Debt Securities

During the second quarter of 2010, the Company paid \$13.1 million to acquire 100% of newly issued cumulative convertible preferred shares of Iowa Northern Railway Corporation (IANR). IANR operates a 163-mile short-line railroad that runs diagonally through Iowa from northwest to southeast from Manly to Cedar Rapids and a branch line from Waterloo to Oelwein. IANR has a fleet of 21 locomotives and approximately 500 railcars and serves primarily agribusiness customers. It is also involved in the development of logistics terminals designed to aid the transloading of various products, including ethanol and wind turbine components. As a result of this investment, the Company has a 49.9% voting interest in IANR, with the remaining 50.1% voting interest held by the common shareholders. The preferred shares purchased by the Company have certain rights associated with them, including voting, dividends, liquidation, redemption and conversion. Dividends accrue to the Company at a rate of 14% annually whether or not declared by IANR and are cumulative in nature. The Company can convert its preferred shares into common shares of IANR at any time, but the shares cannot be redeemed until after five years. This investment is accounted for as available-for-sale debt securities in accordance with ASC 320 and is carried at estimated fair value in Other noncurrent assets on the Company's balance sheet. The estimated fair value of the Company's investment in IANR as of June 30, 2011 was \$15.8 million.

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

The Company's current maximum exposure to loss related to IANR is \$17.7 million, which represents the Company's investment plus unpaid accrued dividends to date of \$1.9 million. The Company does not have any obligation or commitments to provide additional financial support to IANR.

Related Party Transactions

In the ordinary course of business, the Company will enter into related party transactions with each of the investments described above. The following table sets forth the related party transactions entered into for the time periods presented:

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(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Sales and service fee revenues	\$ 232,239	\$ 115,285	\$ 412,986	\$ 234,131
Purchases of product	159,381	105,318	288,124	215,071
Lease income (a)	1,415	1,436	2,667	2,819
Labor and benefits reimbursement (b)	2,611	2,713	5,384	5,399
Other expenses (c)	45		45	
Accounts receivable at June 30 (d)	23,558	12,056		
Accounts payable at June 30 (e)	21,409	16,292		

(a) Lease income includes the lease of the Company's Albion, Michigan and Clymers, Indiana grain facilities as well as certain railcars to the various LLCs and IANR.

(b) The Company provides all operational labor to the ethanol LLCs, and charges them an amount equal to the Company's costs of the related services.

(c) Other expenses include payments to IANR for repair shop rent and use of their railroad reporting mark.

(d) Accounts receivable represents amounts due from related parties for sales of corn, leasing revenue and service fees.

(e) Accounts payable represents amounts due to related parties for purchases of ethanol.

9. Fair Value Measurements

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis at June 30, 2011, December 31, 2010 and June 30, 2010:

(in thousands)	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Assets (liabilities)				
Cash equivalents	\$ 182	\$	\$	\$ 182
Commodity derivatives, net	89,769	71,296	8,794	169,859
Convertible preferred securities (b)			15,790	15,790
Other assets and liabilities (a)	18,917		(1,883)	17,034
Total	\$ 108,868	\$ 71,296	\$ 22,701	\$ 202,865

(in thousands)	December 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets (liabilities)				
Cash equivalents	\$ 213	\$	\$	\$ 213
Commodity derivatives, net	61,559	129,723	12,406	203,688
Convertible preferred securities (b)			15,790	15,790
Other assets and liabilities (a)	17,983		(2,156)	15,827
Total	\$ 79,755	\$ 129,723	\$ 26,040	\$ 235,518

(in thousands) Assets (liabilities)	June 30, 2010			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 173,797	\$	\$	\$ 173,797
Commodity derivatives, net	(20,240)	(23,140)	7	(43,373)
Convertible preferred securities (b)			13,100	13,100
Other assets and liabilities (a)	8,586		(2,277)	6,309
Total	\$ 162,143	\$ (23,140)	\$ 10,830	\$ 149,833

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

(b) Recorded in Other noncurrent assets on the Company's balance sheet

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

(in thousands)	June 30, 2011			June 30, 2010		
	Interest rate derivatives and swaptions	Convertible preferred securities	Commodity derivatives, net	Interest rate derivatives	Convertible preferred securities	Commodity derivatives, net
Asset (liability) at December 31,	\$ (2,156)	\$ 15,790	\$ 12,406	\$ (1,763)	\$	\$ 1,948
Gains (losses) included in earnings	(2)		77	(72)		(1,926)
Unrealized gains (losses) included in other comprehensive income	149			(126)		
New contracts entered into	507			36		
Transfers from level 2			2,500			
Asset (liability) at March 31,	\$ (1,502)	\$ 15,790	\$ 14,983	\$ (1,925)	\$	\$ 22
Investment in debt securities					13,100	
Gains (losses) included in earnings	(310)		(6,398)	(99)		(15)
Unrealized gains (losses) included in other comprehensive income	(120)			(253)		
New contracts entered into	49					
Transfers from level 2			209			
Asset (liability) at June 30,	\$ (1,883)	\$ 15,790	\$ 8,794	\$ (2,277)	\$ 13,100	\$ 7

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

The Company's net commodity derivatives primarily consist of futures or options contracts via regulated exchanges and contracts with producers or customers under which the future settlement date and bushels (or gallons in the case of ethanol contracts) of commodities to be delivered (primarily wheat, corn, soybeans and ethanol) are fixed and under which the price may or may not be fixed. Depending on the specifics of the individual contracts, the fair value is derived from the futures or options prices on the Chicago Mercantile Exchange (CME) or the New York Mercantile Exchange (NYMEX) for similar commodities and delivery dates as well as observable quotes for local basis adjustments (the difference, which is attributable to local market conditions, between the quoted futures price and the local cash price). Although nonperformance risk, both of the Company and the counterparty, is present in each of these commodity contracts and is a component of the estimated fair values, based on the Company's historical

experience with its producers and customers and the Company's knowledge of their businesses, the Company does not view nonperformance risk to be a significant input to fair value for the majority of these commodity contracts. However, in situations where the Company believes that nonperformance risk exists, based on past or present experience with a customer or knowledge of the customer's operations or financial condition, the Company classifies these commodity contracts as level 3 in the fair value hierarchy and, accordingly, records estimated fair value adjustments based on internal projections and views of these contracts.

During the second quarter of 2010, the Company invested in cumulative convertible preferred shares of Iowa Northern Railway Corporation. These shares are carried at estimated fair value in Other noncurrent assets on the Company's balance sheet. Changes in estimated fair value are recorded within other comprehensive income. See Note 8 for further information.

Fair Value of Financial Instruments

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

(in thousands)	June 30, 2011	December 31, 2010
Fair value of long-term debt and interest rate contracts	\$311,886	\$ 307,865
Fair value in excess of carrying value	3,926	4,359

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

10. Debt

The Company is party to borrowing arrangements with a syndicate of banks. See Note 8 in the Company's 2010 Form 10-K for a complete description of these arrangements. Total borrowing capacity for the Company under all lines of credit is currently at \$1.1 billion. At June 30, 2011, the Company had a total of \$880.0 million available for borrowing under its lines of credit.

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

The Company's long-term debt at June 30, 2011, December 31, 2010 and June 30, 2010 consisted of the following:

	June 30, 2011	December 31, 2010	June 30, 2010
Current maturities of long-term debt nonrecourse	\$ 2,827	\$ 2,841	\$ 3,076
Current maturities of long-term debt recourse	42,605	21,683	20,910
	45,432	24,524	23,986
Long-term debt, less current maturities nonrecourse	11,690	13,150	14,579
Long-term debt, less current maturities recourse	248,955	263,675	267,161
	\$ 260,645	\$ 276,825	\$ 281,740

11. Commitments and Contingencies

The Company is party to litigation, or threats thereof, both as defendant and plaintiff with some regularity, although individual cases that are material in size occur infrequently. As a defendant, the Company establishes reserves for claimed amounts that are considered probable, and capable of estimation. If those cases are resolved for lesser amounts, the excess reserves are taken into income and, conversely, if those cases are resolved for larger than the amount the Company has accrued, the Company records a charge to income. The Company believes it is unlikely that the results of its current legal proceedings for which it is the defendant, even if unfavorable, will be material. As a plaintiff, amounts that are collected can also result in sudden, non-recurring income. Litigation results depend upon a variety of factors, including the availability of evidence, the credibility of witnesses, the performance of counsel, the state of the law, and the impressions of judges and jurors, any of which can be critical in importance, yet difficult, if not impossible, to predict. Consequently, cases currently pending, or future matters, may result in unexpected, and non-recurring losses, or income, from time to time. Finally, litigation results are often subject to judicial reconsideration, appeal and further negotiation by the parties, and as a result, the final impact of a particular judicial decision may be unknown for some time, or may result in continued reserves to account for the potential of such post-verdict actions. In the second quarter, 2011, the Company received a trial verdict in the amount of \$2.9 million in a civil suit. The Company has filed a motion for reconsideration of that judgment and an appeal by one or both parties is possible. No income has been recorded to-date due to uncertainty of the final amount and overall collectability of any amount against the defendant.

Table of Contents**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, 2010 (2010 Form 10-K). In some cases, you can identify forward-looking statements by terminology such as may, anticipates, believes, estimates, predicts, or the negative use of 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 2010 Form 10-K, have not materially changed during the first six months of 2011.

Executive Overview***Grain Business***

The Grain business operates grain elevators in various states, primarily in the U.S. Corn Belt. In addition to storage, merchandising and grain trading, Grain performs risk management and other services for its customers. Grain is a significant investor in Lansing Trade Group LLC (LTG), an established grain merchandising business with operations throughout the country and internationally. LTG continues to increase its capabilities, including ethanol trading, and is exposed to many of the same risks as the Company's Grain business. This investment provides the business with a further opportunity to expand outside of its traditional geographic regions.

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 business 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 overall performance of the business and more focus should be placed on changes to merchandising revenues and service income.

Grain inventories on hand at June 30, 2011 were 47.1 million bushels, of which 46 thousand bushels were stored for others. This compares to 48.3 million bushels on hand at June 30, 2010, of which 17.7 million bushels were stored for others. At June 30, 2010, Grain had a significant number of bushels on delivery with the CME, which was not the case at June 30, 2011.

The U.S. Department of Agriculture has reported that corn acreage for 2011 increased by 4 million acres from the 2010 level, as high corn prices and strong profit potential encouraged farmers to boost acreage in almost all states. Corn acreage exceeded intentions in states that planted early and even states with extreme planting delays due to the wet spring only showed a small decline in corn acreage. In the states where the Company has grain storage facilities, 64% of the corn is now rated good to excellent, compared to 70% at the same time last year. Soybeans rated as good to excellent were an average of 40%, compared to 65% at this same time last year.

The Grain Division entered into a grain merchandising agreement with Trotter, Inc., of Arcadia, Nebraska subsequent to the end of the second quarter. The agreement provides the Grain Division with access to an additional 4.1 million bushels of storage space in Nebraska.

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Ethanol Business

The Ethanol business operates the three ethanol production facilities in which the Company has investments. The business also offers facility operations, risk management, corn origination, ethanol and distillers dried grains (DDG) marketing to the ethanol plants it operates as well as third parties.

The ethanol industry has been impacted by the rising corn prices caused by global supply and demand. In the third quarter, the increase in the cost of corn is expected to have a negative impact on margins. Even with the high corn prices, we do expect margins to be positive for the third quarter due to the fact that the spot rate for corn appears to be strong and gasoline prices higher than a year ago due to higher oil prices. In addition, physical corn purchases were secured in advance of the spot period at significant discounts to spot market basis. This securing of physical corn basis in advance has enabled us to yield better margins. However, during the third quarter, there will be costs associated with the planned shut-downs that will interrupt production at each facility in the September time frame.

Rail Business

The Rail business buys, sells, leases, rebuilds and repairs various types of used railcars and rail equipment. The business also provides fleet management services to fleet owners and operates a custom steel fabrication business. Rail 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, 2011 were 22,390 compared to 22,834 at June 30, 2010. The average utilization rate (railcars and locomotives under management that are in lease services, exclusive of railcars managed for third party investors) has increased significantly to 84.7% for the quarter ended June 30, 2011 compared to 71.0% for the quarter ended June 30, 2010. Rail traffic on major U.S. railroads has increased 2.7% over the same period of 2010, but the rate of improvement is expected to slow for the remainder of the year.

As part of the strategy to diversify its portfolio, Rail purchased 639 used intermodal containers for \$2.0 million during the second quarter of 2011. These containers can be used for multiple purposes including transporting freight and stacking various types of cargo. Rail plans to continue pursuing growth opportunities through portfolio purchases, expansion of repair facilities, and other possible prospects.

Plant Nutrient Business

The Company's Plant Nutrient business is a leading manufacturer, distributor and retailer principally of agricultural plant nutrients and pelleted lime and gypsum products in the U.S. Corn Belt and Florida. It operates 30 facilities in Ohio, Michigan, Indiana, Illinois, Florida, Wisconsin, Minnesota and Puerto Rico. Plant Nutrient provides warehousing, packaging and manufacturing services to basic manufacturers and other distributors. The business also manufactures and distributes a variety of industrial products in the U.S. including nitrogen reagents for air pollution control systems used in coal-fired power plants, water treatment products, and de-icers and anti-icers for airport runways, roadways, and other commercial applications. The major nutrient products sold by the business principally contain nitrogen, phosphate, potassium and sulfur.

As mentioned previously, corn acres planted increased significantly over 2010 which is a benefit to our Plant Nutrient Group as corn requires more nutrients than soybeans or wheat. Considering the wet spring, inventory moved nicely once growers were able to get in the field. In regards to fall applications, the Group is already booking strong volumes.

We are still anticipating that 2011 will be a strong year as the demand for nutrients is high and acres planted have increased as expected. As a result, margins should be strong as well as a result of tight supplies of the basic nutrients and strong price trends. However, adverse weather in the third and fourth quarters could reduce sales and gross profit.

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Turf & Specialty Business

The Turf & Specialty business produces granular fertilizer products for the professional lawn care and golf course markets. It also sells consumer fertilizer and weed and turf pest 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 weed and turf pest control products. Turf & Specialty is one of a limited number of processors of corncob-based products in the United States. These products primarily serve the weed and turf pest control 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 business continues to see positive results from its focus on proprietary products and expanded product lines. The Company has spent considerable time marketing the A+ program which has boosted liquid and dispersible granular sales.

Retail Business

The Retail business includes large retail stores operated as The Andersons and a specialty food market operated as The Andersons Market . It 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. Retail continues to work on the new departments and products added in the food areas as part of the reset to maximize the profitability of these new additions.

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.

The Ohio Tax Credit Authority approved job retention tax credits and job creation tax credits for the Company in relation to upcoming capital projects. To earn these credits, the company has committed to invest a minimum amount in new machinery and equipment and property renovations/improvements. In addition to the capital investment the company will retain 636 and create a minimum 20 full-time equivalent positions.

Operating Results

The following discussion focuses on the operating results as shown in the Condensed 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 7. Segment Information.

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(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Sales and merchandising revenues	\$ 1,338,167	\$ 810,999	\$ 2,339,841	\$ 1,532,997
Cost of sales and merchandising revenues	1,215,395	723,445	2,138,384	1,386,893
Gross profit	122,772	87,554	201,457	146,104
Operating, administrative and general expenses	57,730	51,107	111,437	96,510
Interest expense	7,562	4,663	14,898	9,298
Equity in earnings of affiliates	12,512	6,667	19,758	16,572
Other income, net	2,018	1,881	4,324	5,535
Income before income taxes	\$ 72,010	\$ 40,332	\$ 99,204	\$ 62,403

Comparison of the three months ended June 30, 2011 with the three months ended June 30, 2010:**Grain Division**

(in thousands)	Three months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$ 797,130	\$ 360,635
Cost of sales and merchandising revenues	745,650	334,956
Gross profit	51,480	25,679
Operating, administrative and general expenses	17,030	14,343
Interest expense	3,859	840
Equity in earnings of affiliates	5,428	2,272
Other income, net	522	605
Operating income	\$ 36,541	\$ 13,373

Operating results for the Grain Division increased \$23.2 million over the results of the same period last year. Sales and merchandising revenues increased \$436.5 million and is the result of higher commodity prices and a significant increase in volume, primarily in wheat. Gross profit increased \$25.8 million compared to the second quarter of 2010 and is a result of increased space income for wheat, and more specifically basis income. Basis is defined as the difference between the cash price of a commodity in one of the Company's facilities and the nearest exchange traded futures price. The Company does not expect the large basis appreciation that occurred during the second quarter to continue into the second half of the year.

Operating expenses increased \$2.7 million over the same period in 2010 and is spread among several expense categories related primarily to acquisitions, including labor and incentive compensation.

Interest expense increased \$3.0 million from the same period in 2010 due to greater need to cover margin deposit requirements. Other income did not change significantly quarter over quarter.

Equity in earnings of affiliates increased \$3.2 million over the same period in 2010, primarily due to the investment in LTG.

Table of Contents**Ethanol Division**

(in thousands)	Three months ended June 30,	
	2011	2010
Sales and merchandising and service fee revenues	\$ 164,704	\$ 113,045
Cost of sales and merchandising revenues	159,875	108,651
Gross profit	4,829	4,394
Operating, administrative and general expenses	2,027	1,709
Interest expense	274	238
Equity in earnings of affiliates	7,082	4,393
Other income, net	37	19
Operating income before noncontrolling interest	9,647	6,859
Income attributable to noncontrolling interest	(817)	(610)
Operating income	\$ 8,830	\$ 6,249

Operating results for the Ethanol Division increased \$2.6 million over the results of the same period last year. Sales and merchandising and service fee revenues increased \$51.7 million and is primarily due to an increase in the average price per gallon sold, as volume for the quarter remained relatively flat compared to the same quarter last year.

Gross profit, which primarily represents service fee income, increased \$0.4 million over the second quarter of 2010.

There were no significant changes in operating expenses, interest expense and other income.

Equity in earnings of affiliates increased \$2.7 million over the same period in 2010 and relates to income from the investment in three ethanol LLCs.

Rail Group

(in thousands)	Three months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$ 29,501	\$ 23,635
Cost of sales and merchandising revenues	23,086	19,284
Gross profit	6,415	4,351
Operating, administrative and general expenses	2,982	3,419
Interest expense	1,511	1,317
Other income, net	841	499
Operating income	\$ 2,763	\$ 114

Operating results for the Rail Group improved by \$2.6 million compared to the results from the same period last year. Leasing revenues increased \$2.3 million, car sales increased \$3.1 million, and sales in the repair and fabrication shops increased \$0.5 million. The increase in revenues is primarily attributed to the higher utilization rates achieved during the second quarter.

Rail gross profit increased by \$2.1 million compared to the second quarter of 2010. Gross profit in the leasing business increased \$1.1 million and is attributed to the increased utilization and decreased storage costs and lease expense compared to the same period last year. Gross profit on car sales increased \$0.6 million and is attributed to a higher volume of non-recourse lease transactions. Gross profit in the repair and fabrication shops increased

\$0.4 million.

Operating expenses decreased \$0.4 million from the second quarter of 2010 due to lower labor and benefits, including performance incentives.

Interest expense increased slightly over the same period last year. Other income increased mainly as a result of dividend income from IANR which began accruing in May of 2010. Therefore, a full three months was accrued in 2011 versus only two months in 2010.

Table of Contents***Plant Nutrient Group***

(in thousands)	Three months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$ 259,823	\$ 228,404
Cost of sales and merchandising revenues	220,572	196,841
Gross profit	39,251	31,563
Operating, administrative and general expenses	14,337	11,717
Interest expense	973	1,133
Equity in earnings of affiliates	2	2
Other income, net	134	302
Operating income	\$ 24,077	\$ 19,017

Operating results for the Plant Nutrient Group increased \$5.1 million over the same period last year. Sales and merchandising revenues increased \$31.4 million due primarily to an increase in the average price per ton sold as sales volumes declined slightly compared to the same quarter last year. Gross profit increased \$7.7 million as a result of the impact of price escalation and overall margin improvement.

Operating expenses increased \$2.6 million over the same period last year primarily due to lower expense absorption as a result of the lower volume and an increase in labor and benefits, including performance incentives. There were no significant changes in interest expense, equity in earnings of affiliates and other income.

Turf & Specialty Group

(in thousands)	Three months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$ 41,551	\$ 41,182
Cost of sales and merchandising revenues	34,583	33,150
Gross profit	6,968	8,032
Operating, administrative and general expenses	5,077	5,420
Interest expense	372	503
Other income, net	259	377
Operating income	\$ 1,778	\$ 2,486

Operating results for the Turf & Specialty Group decreased \$0.7 million compared to results from the same period last year. Sales and merchandising revenues increased \$0.4 million primarily due to an increase in the average price per ton sold as volumes remained relatively stable quarter over quarter. Gross profit decreased \$1.1 million due to softness in the margin per unit within the consumer and contract manufacturing lines.

Operating expenses decreased \$0.3 million over the same period last year and is due primarily to lower labor and depreciation expense. There were no significant changes in interest expense and other income quarter over quarter.

Retail Group

(in thousands)	Three months ended June 30,	
	2011	2010

Sales and merchandising revenues	\$ 45,458	\$ 44,098
Cost of sales and merchandising revenues	31,629	30,563
Gross profit	13,829	13,535
Operating, administrative and general expenses	11,889	11,345
Interest expense	207	269
Other income, net	144	157
Operating income	\$ 1,877	\$ 2,078

Operating results for the Retail Group decreased \$0.2 million compared to the same period last year. Sales and merchandising revenues increased \$1.4 million. Customer counts decreased 2%, while the average sale per customer increased by 5%. As a result, gross profit increased \$0.3 million.

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Operating expenses increased \$0.5 million and is spread among several expense categories including labor and benefits, and depreciation. There were no significant changes in interest expense and other income.

Other

(in thousands)	Three months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$	\$
Cost of sales and merchandising revenues		
Gross profit		
Operating, administrative and general expenses	4,388	3,154
Interest expense	366	363
Other income (loss), net	81	(78)
Operating loss	\$ (4,673)	\$ (3,595)

Net corporate operating loss not allocated to business segments increased \$1.1 million over the same period last year. Operating expenses increased mainly due to benefits and performance incentive related expenses. There were no significant changes in interest expense and other income.

As a result of the above, income attributable to The Andersons, Inc., after tax, of \$45.2 million for the second quarter of 2011 was \$20.0 million higher than income attributable to The Andersons, Inc. of \$25.2 million recognized in the second quarter of 2010. Income tax expense of \$26.0 million was provided at 36.1%. The Company anticipates that its 2011 effective annual rate will be 36.3%. In the second quarter of 2010, income tax expense of \$14.6 million was provided at a rate of 36.1%. The Company's actual 2010 effective tax rate was 37.7%. The higher effective rate for 2010 was due primarily to a one time adjustment to increase tax expense by \$1.5 million as a result of the Patient Protection and Affordable Care Act which was signed into law in the first quarter of 2010. See Note 6 for further explanation.

Comparison of the six months ended June 30, 2011 with the six months ended June 30, 2010:**Grain Division**

(in thousands)	Six months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$1,435,097	\$763,003
Cost of sales and merchandising revenues	1,352,325	715,125
Gross profit	82,772	47,878
Operating, administrative and general expenses	35,191	26,662
Interest expense	8,699	2,231
Equity in earnings of affiliates	11,658	5,331
Other income, net	1,102	1,255
Operating income	\$ 51,642	\$ 25,571

Operating results for the Grain Division increased \$26.1 million over the results of the same period last year. Sales and merchandising revenues increased \$672.1 million and is the result of a combination of higher average price per bushel sold due to increasing commodity prices and a 5% increase in volume. Gross profit increased \$34.9 million

over the first six months of 2010 and relates primarily to an increase in space income, and more specifically basis appreciation. Basis is defined as the difference between the cash price of a commodity in one of the Company's facilities and the nearest exchange traded futures price. The Company does not expect the large basis appreciation that occurred during the first half of the year to continue into the second half of the year.

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Operating expenses increased \$8.5 million over the same period in 2010, primarily in labor and benefits related to growth and incentive compensation expense. Bad debt expense also increased due to uncertainties related to a specific customer.

Interest expense increased \$6.5 million from the same period in 2010 due to the greater need to cover margin deposit requirements as commodity prices are well above the same period in 2010.

Equity in earnings of affiliates increased \$6.3 million over the same period in 2010 and relates to income from the investment in LTG. There were no significant changes in other income year over year.

Ethanol Division

(in thousands)	Six months ended June 30,	
	2011	2010
Sales and merchandising and service fee revenues	\$ 297,452	\$231,566
Cost of sales and merchandising revenues	288,158	223,438
Gross profit	9,294	8,128
Operating, administrative and general expenses	3,459	3,187
Interest expense	686	452
Equity in earnings of affiliates	8,096	11,237
Other income, net	95	42
Operating income before noncontrolling interest	13,340	15,768
Income attributable to noncontrolling interest	(939)	(1,001)
Operating income	\$ 12,401	\$ 14,767

Operating results for the Ethanol Division decreased \$2.4 million over the results of the same period last year. Sales and merchandising and service fee revenues increased \$65.9 million as a result of an increase in the average price per gallon sold, as volume was relatively consistent with the same period last year. Gross profit increased \$1.2 million over the first six months of 2010 and relates to an increase in ethanol service fee income.

Operating expenses, interest expense and other income did not change significantly from the same period in 2010. Equity in earnings of affiliates decreased \$3.1 million over the same period in 2010 and relates to income from the investment in three ethanol LLCs.

Rail Group

(in thousands)	Six months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$58,411	\$50,325
Cost of sales and merchandising revenues	44,879	41,972
Gross profit	13,532	8,353
Operating, administrative and general expenses	5,859	6,877
Interest expense	2,958	2,644
Other income, net	1,594	2,308
Operating income	\$ 6,309	\$ 1,140

Operating results for the Rail Group increased \$5.2 million compared to the results of the same period last year. Leasing revenues increased \$2.2 million, car sales increased \$5.2 million and sales in the repair and fabrication shops increased \$0.7 million. The increase in revenues is attributable to the higher utilization rates achieved in the first half of the year.

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Gross profit increased \$5.2 million compared to the first six months of 2010. Gross profit in the leasing business increased \$2.1 million and is attributed to the increased utilization rates and decreased storage costs and lease expense compared to the same period last year. Gross profit on car sales increased \$2.8 million and is due to higher volume of non-recourse lease transactions. Gross profit in the repair and fabrication shops increased \$0.3 million for the first half of the year.

Operating expenses decreased \$1.0 million from the same period in 2010 due to lower labor and benefits, including performance incentives.

Interest expense increased slightly over the same period last year. Other income decreased due to fewer settlements received from customers for railcars returned at the end of a lease that were not in the required operating condition. These settlements may be negotiated in lieu of a customer performing the required repairs. The decrease in end of lease settlements was slightly offset by dividend income from the investment in IANR.

Plant Nutrient Group

(in thousands)	Six months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$ 383,472	\$ 331,562
Cost of sales and merchandising revenues	326,137	288,003
Gross profit	57,335	43,559
Operating, administrative and general expenses	26,591	22,194
Interest expense	1,816	2,266
Equity in earnings of affiliates	4	4
Other income, net	259	633
Operating income	\$ 29,191	\$ 19,736

Operating results for the Plant Nutrient Group increased \$9.5 million over the same period last year. Sales and merchandising revenues increased \$51.9 million due to a combination of a 29% increase in the average price per ton sold, partially offset by a 10% decrease in volume. The increase in the average price per ton sold is a result of the escalating prices of the core nutrients used. Gross profit increased \$13.8 million as a result of the wider margins achieved through price appreciation on tons sold.

Operating expenses increased \$4.4 million over the same period last year primarily due to lower expense absorption due to lower volumes and an increase in labor and benefits, including performance incentives.

There were no significant changes in interest expense, equity in earnings of affiliates and other income.

Turf & Specialty Group

(in thousands)	Six months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$ 88,821	\$ 82,815
Cost of sales and merchandising revenues	73,077	66,343
Gross profit	15,744	16,472
Operating, administrative and general expenses	10,416	11,074
Interest expense	821	1,042
Other income, net	549	794

Operating income	\$ 5,056	\$ 5,150
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Operating results for the Turf & Specialty Group are comparable to results of the same period last year. Sales in the lawn fertilizer business increased \$4.5 million due primarily to the increase in the average selling price within both the consumer and industrial lines and the professional line of business. Sales in the cob business increased \$1.5 million over the first six months of 2010 due to an increase in

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volume of 6.5% and a 9.4% increase in the average price per ton sold. Gross profit increased \$0.7 million. Gross profit in the lawn fertilizer business was down 8.5% per ton due to softness in the margins within the consumer and industrial lines, however, the cob business experienced a 7% increase in gross profit per ton.

Operating expenses decreased \$0.7 million over the same period last year due to efficiencies gained from automation initiatives. There were no significant changes in interest expense and other income.

Retail Group

(in thousands)	Six months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$ 76,588	\$ 73,726
Cost of sales and merchandising revenues	53,808	52,012
Gross profit	22,780	21,714
Operating, administrative and general expenses	23,400	22,183
Interest expense	467	556
Other income, net	300	276
Operating loss	\$ (787)	\$ (749)

Operating results for the Retail Group are comparable to the results of the first six months of 2010 and sales and merchandising revenues increased \$2.9 million. Same store customer counts decreased slightly; however, same store average sale per customer increased 5.4%. Gross profit also increased as a result of the increased sales although margins are lower.

Operating expenses increased \$1.2 million and is spread among several expense categories including labor and benefits, and depreciation. There were no significant changes in interest expense and other income.

Other

(in thousands)	Six months ended June 30,	
	2011	2010
Sales and merchandising revenues	\$	\$
Cost of sales and merchandising revenues		
Gross profit		
Operating, administrative and general expenses	6,521	4,333
Interest (income) expense	(549)	107
Other income, net	425	227
Operating loss	\$ (5,547)	\$ (4,213)

Net corporate operating loss not allocated to business segments increased \$1.3 million over the same period last year due primarily to benefits and performance incentive related expenses. Operating expenses increased mainly due to benefits and performance incentive related expenses. There were no significant changes in interest expense and other income.

As a result of the above, income attributable to The Andersons, Inc., after tax, of \$62.5 million for the first six months of 2011 was \$25.1 million higher than income attributable to The Andersons, Inc. of \$37.4 million recognized in the

first six months of 2010. Income tax expense of \$35.8 million was provided at 36.1%. The Company anticipates that its 2011 effective annual rate will be 36.3%. In the first six months of 2010, income tax expense of \$24.0 million was provided at a rate of 38.4%. The Company's actual 2010 effective tax rate was 37.7%. The higher effective rate for 2010 was due primarily to a one time adjustment to increase tax expense by \$1.5 million as a result of the Patient Protection and Affordable Care Act which was signed into law in the first quarter of 2010. See Note 6 for further explanation.

Table of Contents**Liquidity and Capital Resources****Working Capital**

At June 30, 2011, the Company had working capital of \$352.7 million, an increase of \$50.9 million from December 31, 2010 and a \$53.4 million increase from June 30, 2010. This increase is attributed to changes in the following components of current assets and current liabilities (in thousands):

	June 30, 2011	June 30, 2010	Variance
Current Assets:			
Cash and cash equivalents	\$ 18,616	\$ 204,317	\$ (185,701)
Restricted cash	12,572	3,548	9,024
Accounts receivables, net	240,254	132,701	107,553
Inventories	469,551	237,994	231,557
Commodity derivative assets current	187,438	21,534	165,904
Deferred income taxes	17,710	11,572	6,138
Other current assets	30,867	20,604	10,263
	\$ 977,008	\$ 632,270	\$ 344,738
Current Liabilities:			
Borrowings under short-term line of credit	\$ 194,200		\$ 194,200
Accounts payable for grain	80,374	76,922	3,452
Other accounts payable	164,325	115,023	49,302
Customer prepayments and deferred revenue	64,231	12,712	51,519
Commodity derivative liabilities current	24,289	54,918	(30,629)
Accrued expenses	51,410	49,408	2,002
Current maturities of long-term debt	45,432	23,986	21,446
	624,261	332,969	291,292
Working capital	\$ 352,747	\$ 299,301	\$ 53,446

In comparison to the same period of the prior year, current assets increased largely as a result of higher inventories and commodity derivative assets driven by rising commodity prices in the first half of 2011. Current liabilities increased primarily as a result of borrowings on our short-term line of credit. See the discussion below on sources and uses of cash for an understanding of the decrease in cash from prior year.

Sources and Uses of Cash*Operating Activities*

The Company's operations provided cash of \$63.2 million in the first six months of 2011 compared to cash provided by operations of \$105.2 million in the first six months of 2010.

The Company made income tax payments of \$2.5 million in the first quarter of 2011 and made payments of \$22.7 million in the second quarter of 2011. The Company expects to make additional payments totaling approximately \$17.4 million for the remainder of 2011.

Investing Activities

Total capital spending for 2011 on property, plant and equipment in the Company's base business is expected to be approximately \$70 million. Through the first half of 2011, the Company has spent \$12.6 million.

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In addition to spending on conventional property, plant and equipment, the Company expects to spend \$90 million for the purchase of railcars, locomotives and related leases and capitalized modifications of railcars. The Company also expects to offset this amount by proceeds from the sales and dispositions of railcars of \$75.0 million. Through June 30, 2011, the Company invested \$32.2 million in the purchase of additional railcars, partially offset by proceeds from sales of \$17.8 million.

Financing Activities

The Company has significant committed short-term lines of credit available to finance working capital, primarily inventories, margin calls on commodity contracts and accounts receivable. The Company is party to a borrowing arrangement with a syndicate of banks, which was increased at the Company's request during the first quarter of 2011, to provide the Company with an additional \$92 million for a total of \$992.3 million in short-term lines of credit and \$115 million in long-term lines of credit. Increase in borrowings, due to the rising volatility for grain and fertilizer prices is the reason the Company elected to increase the line of credit. The Company had \$194.2 million drawn on its short-term line of credit at June 30, 2011. The Company continues to feel that it has adequate capacity to meet its funding needs going forward. Peak short-term borrowings for the Company to date are \$601.5 million on April 26, 2011. 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.

The Company paid \$0.0875 per common share for the dividends paid in January 2010, \$0.090 per common share for the dividends paid in April, July and October 2010, and \$0.11 per common share for the dividends paid in January and April 2011. On May 6, 2011, the Company declared a cash dividend of \$0.11 per common share payable on July 22, 2011 to shareholders of record on July 1, 2011. During the first six months of 2011, the Company issued approximately 124 thousand shares to employees and directors under its equity-based compensation plans.

Certain of the Company's long-term borrowings include covenants that, among other things, impose minimum levels of equity and limitations on additional debt. The Company was in compliance with all such covenants at June 30, 2011. In addition, certain of the Company's 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.

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.

Off-Balance Sheet Transactions

The Company utilizes leasing arrangements that provide off-balance sheet financing for the Rail business 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 the equipment at the end of the lease.

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The following table describes the Company's railcar, container and locomotive positions at June 30, 2011:

Method of Control	Financial Statement	Number
Owned-railcars available for sale	On balance sheet current	275
Owned-railcar assets leased to others	On balance sheet noncurrent	13,898
Railcars leased from financial intermediaries	Off balance sheet	6,020
Railcars non-recourse arrangements	Off balance sheet	2,073
Total Railcars		22,266
Owned-containers leased to others	On balance sheet noncurrent	639
Total Containers		639
Locomotive assets leased to others	On balance sheet noncurrent	44
Locomotives leased from financial intermediaries	Off balance sheet	4
Locomotives leased from financial intermediaries under limited recourse arrangements	Off balance sheet	
Locomotives non-recourse arrangements	Off balance sheet	76
Total Locomotives		124

In addition, the Company manages 492 railcars for third-party customers or owners for which it receives a fee.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For further information, refer to our Annual Report on Form 10-K for the year ended December 31, 2010. There were no material changes in market risk, specifically commodity and interest rate risk during the six months ended June 30, 2011.

Item 4. Controls and Procedures

The Company is not organized with one Chief Financial Officer. Our Vice President and Controller 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, 2011, 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 reported to the Commission. 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 each of management and our internal auditors to review accounting, auditing and financial matters. There were no changes in internal controls over financial reporting or in other factors that have materially affected or could materially affect internal controls over financial reporting, in each case, during the second quarter of 2011.

Table of Contents**Part II. Other Information****Item 1. Legal Proceedings**

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

The Company is also currently subject to various claims and suits arising in the ordinary course of business, which include environmental issues, employment claims, contractual disputes, and defensive counter claims. The Company accrues expenses where litigation losses are deemed probable and estimable. The Company believes it is unlikely that the results of its current legal proceedings, even if unfavorable, will be materially different from what it currently has accrued. There can be no assurance, however, that any claims or suits arising in the future, whether taken individually or in the aggregate, will not have a material adverse effect on our financial condition or results of operations.

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 2010 10-K (Item 1A). There have been no material changes in the risk factors set forth therein.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In 1996, the Company's Board of Directors began approving the repurchase of shares of common stock for use in employee, officer and director stock purchase and stock compensation plans, which reached 2.8 million authorized shares in 2001. The Company purchased 2.1 million shares under this repurchase program. The original resolution was superseded by the Board in October 2007 with a resolution authorizing the repurchase of 1.0 million shares of common stock. Since the beginning of the current repurchase program, the Company has repurchased 0.1 million shares in the open market. The following table presents the Company's share purchases during the second quarter of 2011.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April		\$		
May				
June	3,650	38.42		
Total	3,650	\$ 38.42		

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Item 6. Exhibits

(a) Exhibits

No.	Description
12	Computation of Ratio of Earnings to Fixed Charges
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 and Controller 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

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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 5, 2011

By /s/ Michael J. Anderson
Michael J. Anderson
President and Chief Executive Officer

Date: August 5, 2011

By /s/ Richard R. George
Richard R. George
Vice President and Controller
(Principal Accounting Officer)

Date: August 5, 2011

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

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**Exhibit Index
The Andersons, Inc.**

No.	Description
12	Computation of Ratio of Earnings to Fixed Charges
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

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