ANDERSONS INC
Form 10-Q
May 09, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

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

For the transition period from to

Commission file number 000-20557

THE ANDERSONS, INC.

(Exact name of the registrant as specified in its charter

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

(419) 893-5050

(Telephone Number)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 x 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 x	Accelerated Filer ¨
Non-accelerated filer ¨	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 x

The registrant had approximately 18.6 million common shares outstanding, no par value, at April 30, 2011.

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THE ANDERSONS, INC.

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Part I. Financial Information

Item 1. Financial Statements

The Andersons, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)(In thousands)

	March 31, 2012	December 31, 2011	March 31, 2011
Assets			
Current assets:			
Cash and cash equivalents	**$ 31,874**	$ 20,390	$ 22,320
Restricted cash	**18,785**	18,651	12,353
Accounts receivable, net	**204,400**	167,640	220,665
Inventories	**787,646**	760,459	775,017
Commodity derivative assets current	**33,845**	83,950	178,767
Deferred income taxes	**23,062**	21,483	18,578
Other current assets	**62,577**	34,649	46,721
Total current assets	**1,162,189**	1,107,222	1,274,421
Other assets:			
Commodity derivative assets noncurrent	**1,189**	2,289	12,996
Other assets, net	**68,311**	53,327	47,819
Equity method investments	**190,460**	199,061	173,977
	259,960	254,677	234,792
Railcar assets leased to others, net	**215,023**	197,137	169,189
Property, plant and equipment, net	**187,584**	175,087	150,262
Total assets	**$ 1,824,756**	$ 1,734,123	$ 1,828,664

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.

Condensed Consolidated Balance Sheets (continued)

(Unaudited)(In thousands)

	March 31, 2012	December 31, 2011	March 31, 2011
Liabilities and equity			
Current liabilities:			
Borrowings under short-term line of credit	**$ 365,000**	$ 71,500	$ 460,000
Accounts payable for grain	**115,236**	391,905	90,442
Other accounts payable	**173,254**	142,762	145,685
Customer prepayments and deferred revenue	**115,109**	79,557	115,908
Commodity derivative liabilities current	**34,113**	15,874	67,869
Accrued expenses and other current liabilities	**45,994**	60,445	42,119
Current maturities of long-term debt	**30,342**	32,208	42,783
Total current liabilities	**879,048**	794,251	964,806
Other long-term liabilities	**44,950**	43,014	25,759
Commodity derivative liabilities noncurrent	**2,352**	1,519	110
Employee benefit plan obligations	**53,080**	52,972	29,946
Long-term debt, less current maturities	**220,417**	238,885	263,218
Deferred income taxes	**68,051**	64,640	63,727
Total liabilities	**1,267,898**	1,195,281	1,347,566
Commitments and contingencies (Note 11)			
Shareholders equity:			
Common shares, without par value (42,000 shares authorized at 3/31/12, 12/31/11 and 3/31/11; 19,198 shares issued)	**96**	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)			
Additional paid-in-capital	**179,783**	179,463	176,848
Treasury shares (570, 697 and 629 shares at 3/31/12, 12/31/11 and 3/31/11, respectively; at cost)	**(12,700)**	(14,997)	(12,118)
Accumulated other comprehensive loss	**(42,625)**	(43,090)	(28,518)
Retained earnings	**418,136**	402,523	331,540
Total shareholders equity of The Andersons, Inc.	**542,690**	523,995	467,848
Noncontrolling interest	**14,168**	14,847	13,250
Total equity	**556,858**	538,842	481,098
Total liabilities and equity	**$ 1,824,756**	$ 1,734,123	$ 1,828,664

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 March 31, 2012	Three months ended March 31, 2011
Sales and merchandising revenues	**$ 1,137,133**	$ 1,001,674
Cost of sales and merchandising revenues	**1,051,263**	922,989
Gross profit	**85,870**	78,685
Operating, administrative and general expenses	**60,100**	53,707
Interest expense	**5,330**	7,336
Other income:		
Equity in earnings of affiliates	**4,283**	7,246
Other income, net	**3,246**	2,306
Income before income taxes	**27,969**	27,194
Income tax provision	**10,241**	9,806
Net income	**17,728**	17,388
Net income (loss) attributable to the noncontrolling interest	**(679)**	122
Net income attributable to The Andersons, Inc.	**$ 18,407**	$ 17,266
Per common share:		
Basic earnings attributable to The Andersons, Inc. common shareholders	**$ 0.99**	$ 0.93
Diluted earnings attributable to The Andersons, Inc. common shareholders	**$ 0.98**	$ 0.93
Dividends paid	**$ 0.1500**	$ 0.1100

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)(In thousands)

	Three months ended March 31,	
	2012	**2011**
Net income	**$ 17,728**	$ 17,388
Other comprehensive income, net of tax:		
Unrecognized actuarial loss and prior service cost (net of income tax of $240 and $111)	**401**	186
Cash flow hedge activity (net of income tax of $38 and $57)	**64**	95
Other comprehensive income	**465**	281
Comprehensive income	**18,193**	17,669
Comprehensive income (loss) attributable to the noncontrolling interest	**(679)**	122
Comprehensive income attributable to The Andersons, Inc.	**$ 18,872**	$ 17,547

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)(In thousands)

	Three months ended March 31, 2012	2011
Operating Activities		
Net income	$ **17,728**	$ 17,388
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation and amortization	**10,495**	9,884
Bad debt expense	**634**	2,437
Cash distributions in excess of income of unconsolidated affiliates	**8,602**	1,372
Gains on sales of railcars and related leases	**(6,294)**	(4,766)
Deferred income taxes	**(2,857)**	(854)
Stock based compensation expense	**1,791**	791
Other	**150**	(21)
Changes in operating assets and liabilities:		
Accounts and notes receivable	**(35,215)**	(70,469)
Inventories	**(25,093)**	(127,828)
Commodity derivatives	**70,277**	79,903
Other assets	**141**	(11,109)
Accounts payable for grain	**(276,669)**	(184,154)
Other accounts payable and accrued expenses	**49,303**	65,672
Net cash used in operating activities	**(187,007)**	(221,754)
Investing Activities		
Purchase of treasury bills	**(19,996)**	
Acquisition of business, net of cash acquired	**(15,286)**	
Purchases of railcars	**(33,414)**	(10,814)
Proceeds from sale of railcars	**10,206**	9,159
Purchases of property, plant and equipment	**(15,014)**	(4,162)
Proceeds from sale of property, plant and equipment	**508**	64
Change in restricted cash	**(134)**	(219)
Net cash used in investing activities	**(73,130)**	(5,972)
Financing Activities		
Net change in short-term borrowings	**293,500**	218,900
Proceeds from issuance of long-term debt	**6,935**	22,957
Payments of long-term debt	**(27,269)**	(18,305)
Proceeds from sale of treasury shares to employees and directors	**1,244**	123
Payments of debt issuance costs	**(9)**	(815)
Dividends paid	**(2,780)**	(2,033)
Net cash provided by financing activities	**271,621**	220,827
Increase (decrease) in cash and cash equivalents	**11,484**	(6,899)

Cash and cash equivalents at beginning of period		**20,390**		29,219
Cash and cash equivalents at end of period	**$**	**31,874**	$	22,320

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.

Condensed Consolidated Statements of Equity

(Unaudited)(In thousands, except per share data)

	The Andersons, Inc. Shareholders Equity						
	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interest	Total
Balance at December 31, 2010	$ 96	$ 177,875	$ (14,058)	$ (28,799)	$ 316,317	$ 13,128	$ 464,559
Net income					17,266	122	17,388
Other comprehensive income				281			281
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of $531 (133 shares)		(1,027)	1,940				913
Dividends declared ($0.11 per common share)					(2,043)		(2,043)
Balance at March 31, 2011	$ 96	$ 176,848	$ (12,118)	$ (28,518)	$ 331,540	$ 13,250	$ 481,098
Balance at December 31, 2011	$ 96	$ 179,463	$ (14,997)	$ (43,090)	$ 402,523	$ 14,847	$ 538,842
Net income					**18,407**	**(679)**	**17,728**
Other comprehensive income				**465**			**465**
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of $419 (127 shares)		**320**	**2,297**				**2,617**
Dividends declared ($0.15 per common share)					**(2,794)**		**(2,794)**
Balance at March 31, 2012	**$ 96**	**$ 179,783**	**$ (12,700)**	**$ (42,625)**	**$ 418,136**	**$ 14,168**	**$ 556,858**

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Basis of Presentation and Consolidation

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

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

In the opinion of management, all adjustments, consisting of normal recurring items, considered necessary for a fair presentation of the results of operations for the periods indicated, have been made. Operating results for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2012.

The year-end Condensed Consolidated Balance Sheet data at December 31, 2011 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 March 31, 2011 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, 2011 (the 2011 Form 10-K).

2. Inventories

Major classes of inventories are as follows:

(in thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Grain	**$ 589,039**	$ 570,337	$ 558,467
Ethanol and by-products	**4,416**	5,461	4,768
Agricultural fertilizer and supplies	**129,186**	118,716	153,559
Lawn and garden fertilizer and corncob products	**30,017**	37,001	27,396
Retail merchandise	**31,681**	25,612	27,800
Railcar repair parts	**2,992**	3,063	2,715
Other	**315**	269	312
	$ 787,646	$ 760,459	$ 775,017

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3. Property, Plant and Equipment

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

(in thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Land	**$ 17,171**	$ 17,655	$ 15,424
Land improvements and leasehold improvements	**48,587**	47,958	45,359
Buildings and storage facilities	**153,666**	150,461	142,017
Machinery and equipment	**196,434**	191,833	183,568
Software	**10,949**	10,861	10,549
Construction in progress	**20,888**	13,006	2,734
	447,695	431,774	399,651
Less accumulated depreciation and amortization	**260,111**	256,687	249,389
	$ 187,584	$ 175,087	$ 150,262

Depreciation expense on property, plant and equipment amounted to $5.5 million, $20.4 million and $4.9 million for the periods ended March 31, 2012, December 31, 2011 and March 31, 2011, respectively.

Railcars

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

(in thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Railcar assets leased to others	**$ 293,081**	$ 272,883	$ 236,285
Less accumulated depreciation	**78,058**	75,746	67,096
	$ 215,023	$ 197,137	$ 169,189

Depreciation expense on railcar assets leased to others amounted to $3.9 million, $13.8 million and $3.3 million for the periods ended March 31, 2012, December 31, 2011 and March 31, 2011, respectively.

4. Derivatives

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

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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 or noncurrent assets or 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.

Generally accepted accounting principles permit a party to a master netting arrangement to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or obligation to return cash collateral under the same master netting arrangement. The Company has master netting arrangements for its exchange traded futures and options contracts and certain over-the-counter contracts. When the Company enters into a futures, options or an over-the-counter contract, an initial margin deposit may be required by the counterparty. The amount of the margin deposit varies by commodity. If the market price of a future, option or an over-the-counter contract moves in a direction that is adverse to the Company s position, an additional margin deposit, called a maintenance margin, is required. The Company nets, by counterparty, its futures and over-the-counter positions against the cash collateral provided or received. The margin deposit assets and liabilities are included in short-term commodity derivative assets or liabilities, as appropriate, in the Consolidated Balance Sheets.

The following table presents at March 31, 2012, December 31, 2011 and March 31, 2011, 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:

	March 31, 2012		December 31, 2011		March 31, 2011	
(in thousands)	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	$	$ 7,289	$ 66,870	$	$	$ 46,305
Fair value of derivatives		(19,578)	(20,480)			(87,125)
Balance at end of period	$	$ (12,289)	$ 46,390	$	$	$ (40,820)

Certain of our contracts allow the Company to post items other than cash as collateral. Grain inventory posted as collateral on our derivative contracts are recorded in Inventories on the Condensed Consolidated Balance Sheets and the fair value of such inventory was $0.2 million, $1.0 million, and $91.7 million as of March 31, 2012, December 31, 2011, and March 31, 2011, respectively. In addition, there were $20.0 million in treasury bills posted as collateral on our derivative contracts as of March 31, 2012. The treasury bills have maturities greater than 90 days and are classified in Other current assets on the Condensed Consolidated Balance Sheets.

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The gains included in the Company s Condensed Consolidated Statements of Income and the line items in which they are located for the three months ended March 31, 2012 and 2011 are as follows:

(in thousands)	Three months ended March 31, 2012	2011
Gains (losses) on commodity derivatives included in sales and merchandising revenues	$ (3,657)	$ 1,278

At March 31, 2012, the Company had the following volume of commodity derivative contracts outstanding (on a gross basis):

Commodity	Number of bushels (in thousands)	Number of gallons (in thousands)	Number of pounds (in thousands)	Number of tons (in thousands)
Non-exchange traded:				
Corn	249,893			
Soybeans	23,214			
Wheat	16,179			
Oats	10,971			
Ethanol		176,818		
Corn oil			66,684	
Other				62
Subtotal	300,257	176,818	66,684	62
Exchange traded:				
Corn	110,250			
Soybeans	33,410			
Wheat	46,855			
Oats	3,035			
Bean oil			18,000	
Ethanol		840		
Other		10		
Subtotal	193,550	850	18,000	
Total	493,807	177,668	84,684	62

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 is considered a participating security since the share-based awards contain a non-forfeitable right to dividends irrespective of whether the awards ultimately vest.

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(in thousands except per common share data)	Three months ended March 31, 2012	2011
Net income attributable to The Andersons, Inc.	**$ 18,407**	$ 17,266
Less: Distributed and undistributed earnings allocated to nonvested restricted stock	**46**	51
Earnings available to common shareholders	**$ 18,361**	$ 17,215
Earnings per share basic:		
Weighted average shares outstanding basic	**18,502**	18,454
Earnings per common share basic	**$ 0.99**	$ 0.93
Earnings per share diluted:		
Weighted average shares outstanding basic	**18,502**	18,454
Effect of dilutive awards	**151**	142
Weighted average shares outstanding diluted	**18,653**	18,596
Earnings per common share diluted	**$ 0.98**	$ 0.93

There were no antidilutive stock-based awards outstanding at March 31, 2012 or 2011.

6. Employee Benefit Plans

Included as charges against income for the three months ended March 31, 2012 and 2011 are the following amounts for pension and postretirement benefit plans maintained by the Company:

(in thousands)	Pension Benefits Three months ended March 31, 2012	2011
Service cost	**$**	$
Interest cost	**1,143**	1,126
Expected return on plan assets	**(1,539)**	(1,560)
Recognized net actuarial loss	**450**	223
Benefit cost (income)	**$ 54**	$ (211)

(in thousands)	Postretirement Benefits Three months ended March 31, 2012	2011
Service cost	**$ 192**	$ 141
Interest cost	**333**	318
Amortization of prior service cost	**(136)**	(136)
Recognized net actuarial loss	**327**	209

Benefit cost	**$ 716**	$ 532

7. Segment Information

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

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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.

	Three months ended March 31,	
(in thousands)	**2012**	**2011**
Revenues from external customers		
Grain	**$ 699,861**	$ 637,967
Ethanol	**150,670**	132,748
Plant Nutrient	**175,360**	123,649
Rail	**35,859**	28,910
Turf & Specialty	**45,127**	47,270
Retail	**30,256**	31,130
Other		
Total	**$ 1,137,133**	$ 1,001,674

	$699,861	**$699,861**
	Three months ended March 31,	
(in thousands)	**2012**	**2011**
Inter-segment sales		
Grain	**$ 1**	$ 1
Ethanol		
Plant Nutrient	**3,083**	5,385
Rail	**203**	189
Turf & Specialty	**976**	705
Retail		
Other		
Total	**$ 4,263**	$ 6,280

	$699,861	**$699,861**
	Three months ended March 31,	
(in thousands)	**2012**	**2011**
Interest expense (income)		
Grain	**$ 3,252**	$ 4,840
Ethanol	**24**	412
Plant Nutrient	**710**	843
Rail	**1,178**	1,447
Turf & Specialty	**356**	449
Retail	**196**	260
Other	**(386)**	(915)
Total	**$ 5,330**	$ 7,336

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	$27,969	$27,969
	Three months ended March 31,	
(in thousands)	2012	2011
Equity in earnings (loss) of affiliates		
Grain	**$ 5,952**	$ 6,230
Ethanol	**(1,671)**	1,014
Plant Nutrient	**2**	2
Rail		
Turf & Specialty		
Retail		
Other		
Total	**$ 4,283**	$ 7,246

	$27,969	$27,969
	Three months ended March 31,	
(in thousands)	2012	2011
Other income, net		
Grain	**$ 827**	$ 580
Ethanol	**16**	58
Plant Nutrient	**118**	125
Rail	**776**	753
Turf & Specialty	**201**	290
Retail	**124**	156
Other	**1,184**	344
Total	**$ 3,246**	$ 2,306

	Three months ended March 31,	
(in thousands)	2012	2011
Income (loss) before income taxes		
Grain	**$ 19,435**	$ 15,101
Ethanol	**121**	3,571
Plant Nutrient	**5,828**	5,114
Rail	**8,018**	3,546
Turf & Specialty	**2,202**	3,278
Retail	**(2,749)**	(2,664)
Other	**(4,207)**	(874)
Noncontrolling interest	**(679)**	122
Total	**$ 27,969**	$ 27,194

8. Related Party Transactions

Equity 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.

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

(in thousands)	Three months ended March 31, 2012	Year ended December 31, 2011	Three months ended March 31, 2011
The Andersons Albion Ethanol LLC	**$ 31,463**	$ 32,829	$ 29,931
The Andersons Clymers Ethanol LLC	**38,880**	40,001	37,323
The Andersons Marathon Ethanol LLC	**39,322**	43,019	35,424
Lansing Trade Group, LLC	**78,754**	81,209	69,500
Other	**2,041**	2,003	1,799
Total	**$ 190,460**	$ 199,061	$ 173,977

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 the gains and losses of TAME recorded by the Company.

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

(in thousands)	% ownership at March 31, 2012 (direct and indirect)	Three months ended March 31, 2012	Three months ended March 31, 2011
The Andersons Albion Ethanol LLC	50%	**$ 634**	$ 384
The Andersons Clymers Ethanol LLC	38%	**(358)**	136
The Andersons Marathon Ethanol LLC	50%	**(1,947)**	495
Lansing Trade Group, LLC	51% *	**5,916**	6,166
Other	7%-33%	**38**	65
Total		**$ 4,283**	$ 7,246

* This does not consider restricted management units which once vested will reduce the ownership percentage by approximately 2%.
Total distributions received from unconsolidated affiliates were $12.9 million for the first quarter of 2012.

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.

In the first quarter of 2012, LTG qualified as a significant subsidiary of the Company under the income test. The following table presents the required summarized unaudited financial information of this investment for the three months ended March 31, 2012 and 2011:

(in thousands)	Three months ended March 31,

	2012	2011
Sales	**$ 1,677,215**	$ 1,495,861
Gross profit	**34,504**	36,535
Income from continuing operations	**13,131**	14,521
Net income	**13,115**	13,533
Net income attributable to LTG	**12,235**	12,090

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Investment in Debt Securities

The Company owns 100% of the cumulative convertible preferred shares of Iowa Northern Railway Corporation (IANR), which operates a short-line railroad in Iowa. 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 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 May 2015. 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 Condensed Consolidated Balance Sheet. The estimated fair value of the Company s investment in IANR as of March 31, 2012 was $20.4 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 $22.7 million, which represents the Company s investment at fair value plus unpaid accrued dividends to date of $2.3 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, along with other related parties. The following table sets forth the related party transactions entered into for the time periods presented:

	Three months ended March 31,	
(in thousands)	**2012**	**2011**
Sales revenues	**$ 193,061**	$ 182,870
Service fee revenues (a)	**5,479**	5,167
Purchases of product	**148,809**	128,997
Lease income (b)	**1,878**	1,252
Labor and benefits reimbursement (c)	**2,741**	2,773
Other expenses (d)	**139**	19
Accounts receivable at March 31 (e)	**12,544**	21,879
Accounts payable at March 31 (f)	**21,677**	21,035

(a) Service fee revenues include management fee, corn origination fee, ethanol and DDG marketing fees, and other commissions.
(b) 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.
(c) 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.
(d) Other expenses include payments to IANR for repair shop rent and use of their railroad reporting mark, as well as payment to LTG for the lease of railcars.
(e) Accounts receivable represents amounts due from related parties for sales of corn, leasing revenue and service fees.
(f) Accounts payable represents amounts due to related parties for purchases of ethanol.

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For the quarters ended March 31, 2012 and 2011, revenues recognized for the sale of ethanol that the Company purchased from the ethanol LLCs were $143.0 million and $158.0 million, respectively. For the quarters ended March 31, 2012 and 2011, revenues recognized for the sale of corn to the ethanol LLCs under these agreements were $179.1 million and $146.7 million, respectively.

From time to time, the Company enters into derivative contracts with certain of its related parties, including the ethanol LLCs and LTG, for the purchase and sale of corn and ethanol, for similar price risk mitigation purposes and on similar terms as the purchase and sale derivative contracts it enters into with unrelated parties. The fair value of derivative contracts with related parties was a gross asset for the periods ended March 31, 2012, December 31, 2011 and March 31, 2011 of $2.4 million, $0.6 million, and $18.2 million, respectively. The fair value of derivative contracts with related parties was a gross liability for the periods ended March 31, 2012, December 31, 2011 and March 31, 2011 of $0.9 million, $1.9 million, and $10.9 million, respectively.

9. Fair Value Measurements

The following table presents the Company s assets and liabilities measured at fair value on a recurring basis at March 31, 2012, December 31, 2011 and March 31, 2011:

	$112,0860	**$112,0860**	**$112,0860**	**$112,0860**
(in thousands)		**March 31, 2012**		
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	**$ 10,623**	**$**	**$**	**$ 10,623**
Restricted cash	**18,785**			**18,785**
Short term investments	**19,996**			**19,996**
Commodity derivatives, net	**(12,280)**	**10,849**		**(1,431)**
Convertible preferred securities (b)			**20,360**	**20,360**
Other assets and liabilities (a)	**7,211**	**(2,085)**		**5,126**
Total	**$ 44,335**	**$ 8,764**	**$ 20,360**	**$ 73,459**

	$112,0860	$112,0860	$112,0860	$112,0860
(in thousands)		**December 31, 2011**		
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 183	$	$	$ 183
Restricted cash	18,651			18,651
Commodity derivatives, net	43,503	22,876	2,467	68,846
Convertible preferred securities (b)			20,360	20,360
Other assets and liabilities (a)	6,224		(2,178)	4,046
Total	$ 68,561	$ 22,876	$ 20,649	$ 112,086

	$112,0860	$112,0860	$112,0860	$112,0860
(in thousands)		**March 31, 2011**		
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 10,597	$	$	$ 10,597
Restricted cash	12,353			12,353
Commodity derivatives, net	(13,486)	122,287	14,983	123,784
Convertible preferred securities (b)			15,790	15,790
Other assets and liabilities (a)	6,291		(1,502)	4,789
Total	$ 15,755	$ 122,287	$ 29,271	$ 167,313

(a) Included in other assets and liabilities is interest rate and foreign currency derivatives, swaptions and deferred compensation assets.
(b) Recorded in Other noncurrent assets on the Company s Consolidated Balance Sheets

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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 CME or the New York Mercantile Exchange 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). Because basis for a particular commodity and location typically has multiple quoted prices from other agribusinesses in the same geographical vicinity and is used as a common pricing mechanism in the Agribusiness industry, we have concluded that basis is a Level 2 fair value input for purposes of the fair value disclosure requirements related to our commodity derivatives. 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.

The Company s convertible preferred securities are measured at fair value using a combination of the income and market approaches on an annual basis. Specifically, the income approach incorporates the use of the Discounted Cash Flow method, whereas the Market Approach incorporates the use of the Guideline Public Company method. Application of the Discounted Cash Flow method requires estimating the annual cash flows that the business enterprise is expected to generate in the future. The assumptions input into this method are estimated annual cash flows for a specified estimation period, the discount rate, and the terminal value at the end of the estimation period. In the Guideline Public Company method, valuation multiples, including total invested capital, are calculated based on financial statements and stock price data from selected guideline publicly traded companies. A comparative analysis is then performed for factors including, but not limited to size, profitability and growth to determine fair value.

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

	2012			**2011**		
(in thousands)	**Interest rate derivatives and swaptions**	**Convertible preferred securities**	**Commodity derivatives, net**	**Interest rate derivatives and swaptions**	**Convertible preferred securities**	**Commodity derivatives, net**
Asset (liability) at December 31,	**$ (2,178)**	**$ 20,360**	**$ 2,467**	$ (2,156)	$ 15,790	$ 12,406
Gains (losses) included in earnings:						
New contracts						442
Change in market prices				(2)		1,877
Settled contracts						(2,242)
Unrealized gains (losses) included in other comprehensive income				149		
New contracts entered into				507		
Transfers to level 2	**2,178**		**(2,467)**			
Transfers from level 2						2,500
Asset (liability) at March 31,	**$**	**$ 20,360**	**$**	$ (1,502)	$ 15,790	$ 14,983

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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. As such, the Company has concluded that the fair value of long-term debt is considered Level 2 in the fair value hierarchy.

(in thousands)	March 31, 2012	December 31, 2011
Fair value of long-term debt	**$ 259,280**	$ 279,001
Fair value in excess of carrying value	**8,520**	7,908

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 10 in the Company s 2011 Form 10-K for a complete description of these arrangements. Total borrowing capacity for the Company under all lines of credit is currently at $850 million. At March 31, 2012, the Company had a total of $449.9 million available for borrowing under its lines of credit.

The Company s long-term debt at March 31, 2012, December 31, 2011 and March 31, 2011 consisted of the following:

(in thousands)	March 31, 2012	December 31, 2011	March 31, 2011
Current maturities of long -term debt nonrecourse	**$ 160**	$ 157	$ 2,835
Current maturities of long-term debt recourse	**30,182**	32,051	39,948
Total current maturities of long-term debt	**$ 30,342**	$ 32,208	$ 42,783
Long-term debt, less current maturities nonrecourse	**$ 755**	$ 797	$ 12,414
Long-term debt, less current maturities recourse	**219,662**	238,088	250,804
Total long-term debt, less current maturities	**$ 220,417**	$ 238,885	$ 263,218

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.

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The estimated range of loss for all outstanding claims that are considered reasonably possible of occurring is not significant. There are several pending claims for which the question of loss or the range of loss cannot be estimated at this time, among them the investigation of the Maumee River in Toledo, Ohio discussed in Item 1. Legal Proceedings of this Form 10-Q.

In 2011, the Company received a trial verdict in the amount of $3.2 million in a civil suit, for which both the Company and the defendant have subsequently filed appeals. No income has been recorded to-date due to uncertainty of the final amount and overall collectibility of any amount against the defendant.

12. Business Acquisition

On January 31, 2012, the Company purchased 100% of the stock of New Eezy Gro, Inc. (NEG) for a purchase price of $16.8 million. New Eezy Gro is a manufacturer and wholesale marketer of specialty agricultural nutrients and industrial products.

The summarized preliminary purchase price allocation is as follows:

(in thousands)	
Current assets	$ 5,106
Intangible assets	9,600
Goodwill	6,681
Property, plant and equipment	3,586
Current liabilities	(3,784)
Deferred tax liability, net	(4,412)
Total purchase price	$ 16,777

The goodwill recognized as a result of the NEG acquisition is $6.7 million and is included in the Plant Nutrient reportable segment. The goodwill relates to the value of proprietary products and processes as well as an assembled workforce.

Details of the intangible assets acquired are as follows:

(in thousands)	**Fair Value**	**Useful Life**
Trademarks	$ 1,200	10 years
Customer list	5,500	10 years
Technology	2,100	5 years
Noncompete agreement	800	7 years
Total identifiable intangible assets	$ 9,600	

13. Subsequent Events

On May 1, 2012, the Company and its subsidiary, The Andersons Denison Ethanol LLC (TADE) completed the purchase of an ethanol production facility in Denison, Iowa for a purchase price of $68 million plus an adjustment for working capital which was not yet available. Previously owned by Amaizing Energy Denison LLC and Amaizing Energy Holding Company, LLC, the operations consist of an ethanol facility with an adjacent 2.7 million bushel grain terminal, with direct access to two Class 1 railroads in Iowa. TADE has been organized to provide investment opportunity for the Company and potential outside investors. The Company will own the grain terminal, manage TADE, and provide grain origination, risk management, and DDG and ethanol marketing services. The Company currently owns a controlling interest of 85 percent of TADE, and therefore will include TADE s results of operations in its consolidated financial statements beginning with the period ending June 30, 2012. The purchase price allocation was not available at the time of the filing of this Form 10-Q.

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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, 2011 (2011 Form 10-K). In some cases, you can identify forward-looking statements by terminology such as may, anticipates, believes, estimates, predicts, or the negative 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 2011 Form 10-K, have not materially changed during the first three months of 2012.

Executive Overview

Grain Business

Our 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 marketing, risk management, and corn origination services to its customers and affiliated ethanol production facilities. Grain is a significant investor in Lansing Trade Group, LLC (LTG), an established commodity trading, grain handling and merchandising business with operations throughout the country and with global trading/merchandising offices.

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 much less significant 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 March 31, 2012 were 75.7 million bushels, of which 0.3 million bushels were stored for others. This compares to 72.7 million bushels on hand at March 31, 2011, of which 1.8 million bushels were stored for others.

Total storage capacity is approximately 109.0 million bushels as of March 31, 2012. We are currently constructing a grain shuttle loader facility in Anselmo, Nebraska. The 3.8 million bushel capacity grain elevator will primarily handle corn and soybeans and is expected to open in the fall of 2012.

Wheat conditions for 2012, as tracked by the USDA, for unharvested crops, are better than 2011 at this time with 68%, on average, rated as good to excellent for the five states where the Company has facilities. The primary harvest period for winter wheat is in the month of July.

Driven by favorable prices, the USDA expects U.S. farmers to plant a 75-year-high 96 million acres of corn in 2012, a 4% increase from 2011. U.S. soybean growers are expected to plant 74 million acres in 2012, down 1% from last year. A warm and relatively dry winter has allowed for some early planting, increasing prospects for a return to favorable crop yields. Weather patterns in the Midwest during the important agricultural planting and growing season will strongly contribute to the success of the base grain business.

Ethanol Business

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

As is typical for this time of year, forward margins for ethanol are at break-even to negative levels due primarily to a decrease in demand for ethanol, and corn prices that reflect lower than typical stocks. There is not a significant amount of future production contracted for sale nor are required inputs contracted for. This puts the ethanol inventory at risk for potential market losses due to ongoing volatility in corn, DDG and ethanol prices.

Our Ethanol business s investments in the three ethanol LLCs had lower results for the first quarter of 2012 compared to the same period in 2011 due to the decline in ethanol margins. With the current price volatility of various inputs, if the weather is not optimal as we move into the crop season, there could be adverse impacts on gross profit in future quarters. However, the indications are positive for the fourth quarter with expectations of a record corn crop.

Ethanol gallons shipped for the quarters ended March 31, 2012 and 2011 were 59.1 million and 58.9 million, respectively. DDG tons shipped by the Ethanol LLCs for the quarters ended March 31, 2012 and 2011 were 0.2 million for each period. Corn oil pounds shipped for the quarters ended March 31, 2012 and 2011 were 9.1 million and 1.7 million, respectively. E-85 gallons shipped for the quarters ended March 31, 2012 and 2011 were 4.1 million and 2.9 million, respectively.

On May 1, 2012, the Company s subsidiary, The Andersons Denison Ethanol LLC (TADE), completed the purchase of an ethanol facility in Denison, Iowa which has an adjacent 2.7 million bushel grain terminal, with direct access to two Class 1 railroads in Iowa. Our Ethanol Group will manage TADE, and provide grain origination, risk management, and DDG and ethanol marketing services for the ethanol facility.

Plant Nutrient Business

Our Plant Nutrient business is a leading manufacturer, distributor and retailer of agricultural and related plant nutrients and pelleted lime and gypsum products in the U.S. Corn Belt and Florida. It operates facilities in the Midwest, Florida and Puerto Rico. The Plant Nutrient Group 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.

Volume was strong in the first quarter, particularly in the month of March due to unusually warm weather which allowed for above normal nutrient application. With anticipated corn acreage of 96 million to be planted this spring, we expect the demand for nutrients to be significant through the second quarter, however the impact that potentially lower future corn prices will have on nutrient demand and price is uncertain.

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Storage capacity at our wholesale nutrient and farm center facilities was approximately 433,000 tons for dry nutrients and approximately 390,000 tons for liquid nutrients at March 31, 2012.

Fertilizer tons (including sales and service tons) for the quarters ended March 31, 2012 and 2011 were 441,000 and 365,000, respectively.

On January 31, 2012, we announced the purchase of 100% of the stock of New Eezy Gro, Inc., an Ohio based manufacturer and wholesale marketer of specialty agricultural nutrients and industrial products.

Rail Business

Our 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. Rail has a diversified fleet of car types (boxcars, gondolas, covered and open top hoppers, tank cars and pressure differential cars) and locomotives.

Railcars and locomotives under management (owned, leased or managed for financial institutions in non-recourse arrangements) at March 31, 2012 were 22,963 compared to 22,236 at March 31, 2011. The average utilization rate (railcars and locomotives under management that are in lease services, exclusive of railcars managed for third party investors) has increased from 82.4% for the quarter ended March 31, 2011 to 85.7% for the quarter ended March 31, 2012.

In the first quarter, Rail had gains on sales of railcars and related leases in the amount of $6.3 million compared to $4.8 million in the prior year.

Turf & Specialty Business

Our 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.

Retail Business

Our 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. Our stores compete with a variety of retail merchandisers, including home centers, department and hardware stores, as well as local and national grocers. The Retail Group continues to work on new departments and products to maximize the profitability.

Other

Our Other business segment 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.

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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.

	Three months ended March 31,	
(in thousands)	**2012**	**2011**
Sales and merchandising revenues	**$ 1,137,133**	$ 1,001,674
Cost of sales and merchandising revenues	**1,051,263**	922,989
Gross profit	**85,870**	78,685
Operating, administrative and general expenses	**60,100**	53,707
Interest expense	**5,330**	7,336
Equity in earnings of affiliates	**4,283**	7,246
Other income, net	**3,246**	2,306
Income before income taxes	**27,969**	27,194
Income (loss) attributable to noncontrolling interest	**(679)**	122
Operating income	**$ 28,648**	$ 27,072

Comparison of the three months ended March 31, 2012 with the three months ended March 31, 2011:

Grain Group

	Three months ended March 31,	
(in thousands)	**2012**	**2011**
Sales and merchandising revenues	**$ 699,861**	$ 637,967
Cost of sales and merchandising revenues	**667,260**	606,675
Gross profit	**32,601**	31,292
Operating, administrative and general expenses	**16,693**	18,161
Interest expense	**3,252**	4,840
Equity in earnings of affiliates	**5,952**	6,230
Other income, net	**827**	580
Operating income	**$ 19,435**	$ 15,101

Operating income for our Grain Group increased $4.3 million over the results from the same period last year. Sales and merchandising revenues increased $61.9 million. Sales of grain increased $53.0 million in the first quarter of 2012 compared to the first quarter of 2011 due primarily to a 4% increase in volume and a 5% increase in the average price per bushel sold. While the average price per bushel of corn increased by approximately 7.4%, the average price per bushel decreased for soybeans, wheat and oats. Gross profit increased $1.3 million over the first quarter of 2011 and primarily relates to improved margins driven by price.

Operating expenses for Grain decreased $1.6 million over the same period in 2011 and is attributed to lower bad debt expense compared to the prior year. In 2011, the Company took a charge to income for a specific account which was subsequently reversed in the fourth quarter of 2011 and fully collected in 2012 upon liquidation.

Interest expense decreased $1.6 million from the same period in 2011 as margin call requirements on commodity derivative contracts were lower. Equity in earnings of affiliates and other income did not change significantly quarter over quarter.

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Ethanol Group

(in thousands)	Three months ended March 31, 2012	2011
Sales and merchandising and service fee revenues	**$ 150,670**	$ 132,748
Cost of sales and merchandising revenues	**147,897**	128,283
Gross profit	**2,773**	4,465
Operating, administrative and general expenses	**1,652**	1,432
Interest expense	**24**	412
Equity in earnings (loss) of affiliates	**(1,671)**	1,014
Other income, net	**16**	58
Income (loss) before income taxes	**(558)**	3,693
Income (loss) attributable to noncontrolling interest	**(679)**	122
Operating income	**$ 121**	$ 3,571

Operating results for our Ethanol Group decreased $3.5 million over the results from the same period last year. Sales and merchandising and service fee revenues increased $17.9 million mainly due to a 10.9% increase in the average price per gallon sold. Gross profit decreased $1.7 million compared to the first quarter of 2011 primarily due to mark to market loss in certain hedges (where a gain was recorded in 2011).

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

Equity in earnings of affiliates decreased $2.7 million over the same period in 2011 and relates to income (loss) from the investment in three ethanol LLCs. During the quarter, ethanol margins were lower as a result of increased industry production and lower demand led by declining exports.

Plant Nutrient Group

(in thousands)	Three months ended March 31, 2012	2011
Sales and merchandising revenues	**$ 175,360**	$ 123,649
Cost of sales and merchandising revenues	**154,042**	105,565
Gross profit	**21,318**	18,084
Operating, administrative and general expenses	**14,900**	12,254
Interest expense	**710**	843
Equity in earnings of affiliates	**2**	2
Other income, net	**118**	125
Operating income	**$ 5,828**	$ 5,114

Operating results for our Plant Nutrient Group increased $0.7 million over the same period last year. Sales increased $51.7 million due primarily to a 14% increase in the average price per ton sold as well as a 24% increase in sales volume driven by warmer and dry weather allowing for early nutrient application in much of the area that we supply. Gross profit increased $3.2 million primarily as a result of the volume increase previously noted.

Operating expenses increased $2.6 million over the same period last year primarily due to an increase in labor and benefits, as well as a $0.5 million asset impairment charge. There were no significant changes in interest expense, equity in earnings of affiliates and other income.

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Rail Group

(in thousands)	Three months ended March 31, 2012	2011
Sales and merchandising revenues	**$ 35,859**	$ 28,910
Cost of sales and merchandising revenues	**23,294**	21,793
Gross profit	**12,565**	7,117
Operating, administrative and general expenses	**4,145**	2,877
Interest expense	**1,178**	1,447
Other income, net	**776**	753
Operating income	**$ 8,018**	$ 3,546

Operating results for our Rail Group improved by $4.5 million compared to the results from the same period last year. Leasing revenues have increased $3.8 million, car sales increased $1.4 million, and repair sales increased $1.7 quarter over quarter.

Gross profit increased $5.4 million over the first quarter of 2011. Gross profit on car sales increased $1.5 million and is attributable to more cars sold at a higher margin. Gross profit from the leasing business increased $2.7 million due to higher average lease rates.

Operating expenses increased $1.3 million over the first quarter of 2011 due primarily to higher labor, benefits and rent expense due to an increase in the volume of work at new and existing repair shops.

Interest expenses and other income did not change significantly compared to the same period last year.

Turf & Specialty Group

(in thousands)	Three months ended March 31, 2012	2011
Sales and merchandising revenues	**$ 45,127**	$ 47,270
Cost of sales and merchandising revenues	**37,128**	38,494
Gross profit	**7,999**	8,776
Operating, administrative and general expenses	**5,642**	5,339
Interest expense	**356**	449
Other income, net	**201**	290
Operating income	**$ 2,202**	$ 3,278

Operating results for our Turf & Specialty Group decreased $1.1 million compared to the results of the same period last year. Sales decreased $2.1 million and are primary related to the decrease in sales of the lawn fertilizer business due to a 5.2% decrease in the average price per ton sold. Gross profit decreased $0.8 million compared to the same period last year. Gross profit in the lawn fertilizer business was down 16.5% per ton due to softness in margin caused by higher raw material costs within the consumer product lines.

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

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Retail Group

(in thousands)	Three months ended March 31, 2012	2011
Sales and merchandising revenues	**$ 30,256**	$ 31,130
Cost of sales and merchandising revenues	**21,642**	22,179
Gross profit	**8,614**	8,951
Operating, administrative and general expenses	**11,291**	11,511
Interest expense	**196**	260
Other income, net	**124**	156
Operating loss	**$ (2,749)**	$ (2,664)

Operating results for our Retail Group remained relatively unchanged compared to the same period last year. Sales and merchandising revenues decreased $0.9 million from the first quarter of 2011 due to the lack of winter business in January and February as a result of the mild winter weather. Customer counts decreased nearly 1%, while the average sale per customer decreased by nearly 2%. As a result, gross profit decreased by approximately $0.3 million.

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

Other

(in thousands)	Three months ended March 31, 2012	2011
Sales and merchandising revenues	**$**	$
Cost of sales and merchandising revenues		
Gross profit		
Operating, administrative and general expenses	**5,777**	2,133
Interest income	**(386)**	(915)
Other income, net	**1,184**	344
Operating loss	**$ (4,207)**	$ (874)

Net corporate operating expenses not allocated to business segments increased $3.3 million over the first quarter of 2011. Operating expenses increased mainly due to stock compensation and benefits related expenses.

As a result of the above, income attributable to The Andersons, Inc. of $18.4 million for the first quarter of 2012 was $1.1 million higher than income attributable to The Andersons, Inc. of $17.3 million recognized in the first quarter of 2011. Income tax expense of $10.2 million was provided at 36.6%. In the first quarter of 2011, income tax expense of $9.8 million was provided at a rate of 36.1%. The increase in the effective tax rate was due primarily to the loss attributable to the noncontrolling interest that did not provide any tax benefit. The Company anticipates that its 2012 effective annual rate will be 36.0%. The Company s actual 2011 effective tax rate was 34.5%. The lower effective rate for 2011 was due primarily to benefits related to domestic production activities and the income attributable to the noncontrolling interest that did not increase taxes.

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Liquidity and Capital Resources

Working Capital

At March 31, 2012, we had working capital of $283.1 million, a decrease of about $26.5 million from the prior year. This decrease is attributable to changes in the following components of current assets and current liabilities:

(in thousands)	March 31, 2012	March 31, 2011	Variance
Current Assets:			
Cash and cash equivalents	**$ 31,874**	$ 22,320	$ 9,554
Restricted cash	**18,785**	12,353	6,432
Accounts receivables, net	**204,400**	220,665	(16,265)
Inventories	**787,646**	775,017	12,629
Commodity derivative assets current	**33,845**	178,767	(144,922)
Deferred income taxes	**23,062**	18,578	4,484
Other current assets	**62,577**	46,721	15,856
Total current assets	**1,162,189**	1,274,421	(112,232)
Current Liabilities:			
Borrowing under short-term line of credit	**365,000**	460,000	(95,000)
Accounts payable for grain	**115,236**	90,442	24,794
Other accounts payable	**173,254**	145,685	27,569
Customer prepayments and deferred revenue	**115,109**	115,908	(799)
Commodity derivative liabilities current	**34,113**	67,869	(33,756)
Other current liabilities	**45,994**	42,119	3,876
Current maturities of long-term debt	**30,342**	42,783	(12,441)
Total current liabilities	**879,048**	964,806	(85,758)
Working capital	**$ 283,141**	$ 309,615	$ (26,474)

In comparison to the quarter ended March 31, 2011, current assets decreased largely as a result of lower commodity derivative assets driven by declining commodity prices as well as having fewer bushels contracted for purchase. Current liabilities decreased primarily as a result of lower borrowings under our short-term line of credit due to lower margin calls on commodity contracts as a result of lower commodity prices.

Sources and Uses of Cash

Operating Activities

Our operating activities used cash of $187.0 million in the first three months of 2012, a change from a use of cash of $221.8 million in the first three months of 2011. The significant use of cash for operating activities is common in the first quarter of the year due to the nature of our commodity business and the large payouts for grain received during the fall harvest, although the change is less significant in the current year due to a trend of declining grain prices.

We made income tax payments of $3.3 million in the first quarter of 2012 and expect to make additional payments totaling approximately $34.7 million for the remainder of 2012.

Investing Activities

The Company spent $15.3 million (net of cash acquired) on a business acquisition during the quarter. Total capital spending for 2012 on property, plant and equipment in our base business, inclusive of information technology spending is expected to be approximately $59 million.

Through the first quarter of 2012, we have spent $15.0 million.

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In addition to spending on conventional property, plant and equipment, we expect to spend $100 million for the purchase of railcars, locomotives and related leases and capitalized modifications of railcars. We also expect to offset this amount by proceeds from the sales and dispositions of railcars of $97 million. Through March 31, 2012, we invested $33.4 million in the purchase of additional railcars, partially offset by proceeds from sales of $10.2 million.

Financing Activities

We have significant committed short-term lines of credit available to finance working capital, primarily inventories, margin calls on commodity contracts and accounts receivable. We are party to a borrowing arrangement with a syndicate of banks, which provides a total of $735.0 million in short-term borrowings and $115.0 million in long-term borrowings. We had $365.0 million drawn on our short-term line of credit at March 31, 2012. We continue to feel that we have adequate capacity to meet our funding needs going forward. Peak short-term borrowings to date were $402.6 million on March 27, 2012. Typically, our highest borrowing occurs in the spring due to seasonal inventory requirements in our fertilizer and retail businesses.

We paid $0.11 per common share for the dividends paid in January, April, July and September 2011, and $0.15 per common share for the dividends paid in January 2012. On February 24, 2012, we declared a cash dividend of $0.15 per common share payable on April 23, 2012 to shareholders of record on April 2, 2012. During the first three months of 2012, we issued approximately 161 thousand shares to employees and directors under our equity-based compensation plans.

Certain of our long-term borrowings include covenants that, among other things, impose minimum levels of equity and limitations on additional debt. We are in compliance with all such covenants as of March 31, 2012. In addition, certain of our long-term borrowings are collateralized by first mortgages on various facilities or are collateralized by railcar assets. Our non-recourse long-term debt is collateralized by railcar and locomotive assets.

Because we are 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 our profitability. In addition, periods of high grain prices and/or unfavorable market conditions could require us to make additional margin deposits on our exchange traded futures contracts. Conversely, in periods of declining prices, we receive a return of cash.

Off-Balance Sheet Transactions

Our Rail Group utilizes leasing arrangements that provide off-balance sheet financing for its activities. We lease railcars from financial intermediaries through sale-leaseback transactions, the majority of which involve operating leasebacks. Railcars we own or lease from a financial intermediary are generally leased to a customer under an operating lease. We also arrange non-recourse lease transactions under which we sell railcars or locomotives to a financial intermediary and assign the related operating lease to the financial intermediary on a non-recourse basis. In such arrangements, we generally provide ongoing railcar maintenance and management services for the financial intermediary, and receive a fee for such services. On most of the railcars and locomotives, we hold an option to purchase these assets at the end of the lease.

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The following table describes our railcar and locomotive positions at March 31, 2012:

Method of Control	Financial Statement		Units
Owned-railcars available for sale	On balance sheet	current	350
Owned-railcar assets leased to others	On balance sheet	non-current	15,610
Railcars leased from financial intermediaries	Off balance sheet		5,042
Railcars non-recourse arrangements	Off balance sheet		1,837
Total Railcars			22,839
Owned-containers leased to others	On balance sheet	non-current	638
Total Containers			638
Locomotive assets leased to others	On balance sheet	non-current	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, we manage 342 railcars for third-party customers or owners for which we receive 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, 2011. There were no material changes in market risk, specifically commodity and interest rate risk during the quarter ended March 31, 2012.

Item 4. Controls and Procedures

Our Vice President, Corporate Controller is responsible for all accounting decisions while our Vice President, Finance and Treasurer is responsible for all treasury, insurance and credit functions and financing decisions. Each of them, along with the Chairman 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 March 31, 2012, and have determined that such controls and procedures were effective.

On April 30, 2012, the Company announced the hiring of a Chief Financial Officer, to whom our Corporate Controller and Treasurer, among others, will report. The Chief Financial Officer will, together with our Chairman and Chief Executive Officer, serve as Certifying Officers for evaluation of our disclosure controls and procedures for subsequent fiscal periods.

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 first quarter of 2012.

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Part II. Other Information

Item 1. Legal Proceedings

We have received, and are cooperating fully with, a request for information from the United States Environmental Protection Agency (U.S. EPA) regarding the history of our 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 our initial acquisition of the land in 1960. We have 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 our 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.

We are 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. We accrue liabilities where litigation losses are deemed probable and estimable. We believe it is unlikely that the results of our current legal proceedings, even if unfavorable, will be materially different from what we currently have 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 2011 10-K (Item 1A). There have been no material changes in the risk factors set forth therein.

Item 5. Other Information

On March 1, 2012, we granted restricted shares (RSA s) to our officers, directors and other members of management and performance share units (PSU s) valued at $43.28 to our officers and other members of management. These grants were made under the Long-Term Performance Compensation Plan. These grants were made as follows to the named executive officers, all officers as a group, directors and all other employees.

	RSA s	PSU s
Michael J. Anderson	10,000	17,000
Anne G. Rex	830	1,330
Nicholas C. Conrad	985	1,575
Harold M. Reed	6,000	9,600
Dennis J. Addis	2,525	4,045
Naran U. Burchinow	1,570	2,115
Executive group	31,441	52,187
Non-executive director group	11,112	
Non-executive officer employee group	24,595	41,499

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On April 30, 2012, we granted 2,084 RSA s and 2,778 PSU s valued at $50.40 to our newly appointed Chief Financial Officer, John J. Granato. The grants were made under the Long-Term Performance Compensation Plan.

Item 6. Exhibits

(a) Exhibits

No.	Description
10.49	Form of Restricted Share Award Agreement
10.50	Form of Performance Share Award Agreement
10.51	Form of Restricted Share Award Agreement
10.52	Form of Performance Share Award Agreement
12	Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of the Chairman and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)
31.2	Certification of the Vice President, Corporate 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: May 9, 2012	By /s/ Michael J. Anderson Michael J. Anderson Chairman and Chief Executive Officer
Date: May 9, 2012	By /s/ Anne G. Rex Anne G. Rex Vice President, Corporate Controller (Principal Accounting Officer)
Date: May 9, 2012	By /s/ Nicholas C. Conrad Nicholas C. Conrad Vice President, Finance and Treasurer (Principal Financial Officer)

Exhibit Index

The Andersons, Inc.

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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