ANDERSONS INC
Form 10-K
February 27, 2012
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# SECURITIES AND EXCHANGE COMMISSION

**Washington, D. C. 20549**

# FORM 10-K

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

**For the fiscal year ended December 31, 2011**

**Commission file number 000-20557**

# THE ANDERSONS, INC.

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

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

**Registrant s telephone number, including area code (419) 893-5050**

**Securities registered pursuant to Section 12(b) of the Act: Common Shares**

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

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 Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| 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 Exchange Act Rule 12b-2). Yes ¨ No x

The aggregate market value of the registrant s voting stock which may be voted by persons other than affiliates of the registrant was $780.6 million on June 30, 2011, computed by reference to the last sales price for such stock on that date as reported on the Nasdaq Global Select Market.

The registrant had 18.5 million common shares outstanding, no par value, at February 9, 2012.

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**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on May 11, 2012, are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Commission on or about March 13, 2012.

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## PART I

### Item 1. Business

*Company Overview*

The Andersons, Inc. (the Company ) is a diversified company with interests in the grain, ethanol and plant nutrient sectors of U.S. agriculture, as well as in railcar leasing and repair, turf products production and general merchandise retailing. Founded in Maumee, Ohio in 1947, the Company now has operations across the United States and in Puerto Rico, and has railcar leasing interests in Canada and Mexico.

*Segment Descriptions*

The Company s operations are classified into six reportable business segments: Grain, Ethanol, Rail, Plant Nutrient, Turf & Specialty, and Retail. Each of these segments is organized based upon the nature of products and services offered. See Note 7 to the Consolidated Financial Statements in Item 8 for information regarding business segments.

*Grain Group*

The Grain business operates grain terminals in Ohio, Michigan, Indiana, Illinois, and Nebraska with storage capacity of approximately 109 million bushels at December 31, 2011. Bushels shipped by the Grain Group approximated 350 million bushels in 2011. Income is earned on grain bought and sold or put thru the elevator, grain that is purchased and conditioned for resale, and space income. Space income consists of appreciation or depreciation in the basis value of grain held and represents the difference between the cash price of a commodity in one of the Company s facilities and the nearest exchange traded futures price ( basis ); appreciation or depreciation between the future exchange contract months ( spread ); and grain stored for others upon which storage fees are earned. The Grain business also offers a number of unique grain marketing, risk management and corn origination services to its customers and affiliate ethanol facilities for which it collects fees.

In 2008, the Company renewed the five-year lease agreement and the five-year marketing agreement ( the Agreement ) with Cargill, Incorporated ( Cargill ) for Cargill s Maumee and Toledo, Ohio grain handling and storage facilities. As part of the agreement, Cargill is given the marketing rights to grain in the Cargill-owned facilities as well as the adjacent Company-owned facilities in Maumee and Toledo. The lease of the Cargill-owned facilities covers 8.1%, or approximately 8.9 million bushels, of the Company s total storage space. Grain sales to Cargill totaled $258.4 million in 2011, and includes grain covered by the Agreement (i.e. grain sold out of the Maumee and Toledo facilities) as well as grain sold to Cargill via normal forward sales from locations not covered by the Agreement.

Grain prices are not predetermined, so sales are negotiated by the Company s merchandising staff. The principal grains sold by the Company are yellow corn, yellow soybeans and soft red and white wheat. Approximately 94% of the grain bushels sold by the Company in 2011 were purchased by U.S. grain processors and feeders, and approximately 6% were exported. Most of the Company s exported grain sales are done through intermediaries while some grain is shipped directly to foreign countries, mainly Canada. Most grain shipments from our facilities are by rail or boat. Rail shipments are made primarily to grain processors and feeders with some rail shipments made to exporters on the Gulf of Mexico or east coast. Boat shipments are from the Port of Toledo. In addition, grain is transported via truck for direct ship transactions where customers sell grain to the Company but have it delivered directly to the end user.

The Company s grain operations rely principally on forward purchase contracts with producers, dealers and commercial elevators to ensure an adequate supply of grain to the Company s facilities throughout the year. The Company makes grain purchases at prices referenced to the Chicago Mercantile Exchange ( the CME ). Bushels contracted for future delivery at January 31, 2012 approximated 178.5 million.

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The Company competes in the sale of grain with other public and private grain brokers, elevator operators and farmer owned cooperative elevators. Some of the Company s competitors are also its customers. Competition is based primarily on price, service and reliability. Because the Company generally buys in smaller lots, its competition is generally local or regional in scope, although there are some large national and international companies that maintain regional grain purchase and storage facilities. Significant portions of grain bushels purchased and sold are done so using forward contracts.

The grain handling business is seasonal in nature in that a large portion of the principal grains are harvested and delivered from the farm and commercial elevators in July, October and November although a significant portion of the principal grains are bought, sold and handled throughout the year.

Fixed price purchase and sale commitments for grain and grain held in inventory expose the Company to risks related to adverse changes in market prices. The Company attempts to manage these risks by entering into exchange-traded futures and option contracts with the CME. The contracts are economic hedges of price risk, but are not designated or accounted for as hedging instruments. The CME is a regulated commodity futures exchange that maintains futures markets for the grains merchandised by the Company. Futures prices are determined by worldwide supply and demand.

The Company s grain risk management practices are designed to reduce the risk of changing commodity prices. In that regard, such practices also limit potential gains from further changes in market prices. The Company has policies that specify the key controls over its risk management practices. These policies include a description of the objectives of the programs and review of position limits by key management outside of the trading function on a daily basis along with other internal controls. The Company monitors current market conditions and may expand or reduce the purchasing program in response to changes in those conditions. In addition, the Company monitors the parties to its purchase contracts on a regular basis for credit worthiness, defaults and non-delivery.

Purchases of grain can be made the day the grain is delivered to a terminal or via a forward contract made prior to actual delivery. Sales of grain generally are made by contract for delivery in a future period. When the Company purchases grain at a fixed price or at a price where a component of the purchase price is fixed via reference to a futures price on the CME, it also enters into an offsetting sale of a futures contract on the CME. Similarly, when the Company sells grain at a fixed price, the sale is offset with the purchase of a futures contract on the CME. At the close of business each day, inventory and open purchase and sale contracts as well as open futures and option positions are marked-to-market. Gains and losses in the value of the Company s ownership positions due to changing market prices are netted with and generally offset in the income statement by losses and gains in the value of the Company s futures positions.

When a futures contract is entered into, an initial margin deposit must be sent to the CME. The amount of the margin deposit is set by the CME and varies by commodity. If the market price of a futures contract moves in a direction that is adverse to the Company s position, an additional margin deposit, called a maintenance margin, is required by the CME. Subsequent price changes could require additional maintenance margin deposits or result in the return of maintenance margin deposits by the CME. Significant increases in market prices, such as those that occur when grain supplies are affected by unfavorable weather conditions and/or when increases in demand occur, can have an effect on the Company s liquidity and, as a result, require it to maintain appropriate short-term lines of credit. The Company may utilize CME option contracts to limit its exposure to potential required margin deposits in the event of a rapidly rising market.

The Company owns 52% of the diluted equity in Lansing Trade Group LLC ( LTG ). LTG is largely focused on the movement of physical commodities, including grain and ethanol and is exposed to the some of the same risks as the Company s grain and ethanol businesses. LTG trades in other commodities that the Company s grain and ethanol businesses do not trade in, some of which are not exchange traded. This investment provides the Company with further opportunity to diversify and complement its income through activity outside of its traditional product and geographic regions. This investment is accounted for under the equity method. The Company periodically enters into transactions with LTG as disclosed in Note 8 of Item 8.

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Sales of grain and related service and merchandising revenues totaled $2,849.4 million, $1,936.8 million and $1,734.6 million for the years ended December 31, 2011, 2010 and 2009.

The Company intends to continue to grow its traditional grain business through geographic expansion of its physical operations, pursuit of grain handling agreements, food supply chain risk management relationships, expansion at existing facilities and acquisitions.

*Ethanol Group*

The Ethanol Group has ownership interests in three Limited Liability Companies ( the ethanol LLCs or LLCs ). Each of the LLCs owns an ethanol plant that is operated by the Company s Ethanol Group. The plants are located in Indiana, Michigan, and Ohio and have combined capacity of 275 million gallons of ethanol. The Group offers facility operations, risk management and marketing services to the LLCs it operates as well as third parties.

The ethanol LLC investments are accounted for using the equity method of accounting. The Company holds a 50% interest in The Andersons Albion Ethanol LLC ( TAAE ) and a 38% interest in The Andersons Clymers Ethanol LLC ( TACE ). The Company holds a 50% interest in The Andersons Marathon Ethanol LLC ( TAME ) through its majority owned subsidiary The Andersons Ethanol Investment LLC ( TAEI ). A third party owns 34% of TAEI.

The Company has a management agreement with each of the LLCs. As part of these agreements, the Ethanol Group runs the day-to-day operations of the plants and provides all administrative functions. The Company is compensated for these services based on a fixed cost plus an indexed annual increase determined by a consumer price index and is accounted for on a gross basis. Additionally, the Company has entered into agreements with each of the LLCs under which the Grain Group has the exclusive right to act as supplier for 100% of the corn used by the LLCs in the production of ethanol. For this service, the Grain Group receives a fee for each bushel of corn sold. In addition, the Company has entered into marketing agreements with the ethanol LLCs. Under the ethanol marketing agreement, the Company purchases 100% of the ethanol produced by TAAE and TACE and 50% of the ethanol produced by TAME to sell to external customers. The Ethanol Group receives a fee for each gallon of ethanol sold to external customers. Under the DDG marketing agreement, the Grain Group markets the DDG and receives a fee for each ton of DDG sold. Most recently, the Company has entered into corn oil marketing agreements with the LLCs for which a commission is earned on units sold.

Sales of ethanol and related merchandising and service fee revenues totaled $641.5 million, $468.6 million and $419.4 million in 2011, 2010 and 2009.

It is reasonably possible that within the next 12 months, the Company may make additional investments in the ethanol industry singly or through joint venture agreements and by providing services as described above, to non-affiliated ethanol entities.

*Plant Nutrient Group*

The Company s Plant Nutrient Group is a manufacturer and distributor of agricultural plant nutrients in the U.S. Corn Belt and Florida. It operates 19 wholesale distribution and manufacturing locations as well as 8 leased locations throughout Ohio, Michigan, Indiana, Illinois, Wisconsin, Minnesota and Puerto Rico. The Group operates 11 farm centers throughout Ohio, Indiana, Michigan and Florida.

Wholesale Nutrients The Wholesale Nutrients business manufactures, stores, and distributes nearly 2.0 million tons of dry and liquid agricultural nutrients, and pelleted lime and gypsum products annually. The Group purchases basic nitrogen, phosphate, potassium and sulfur materials for resale and uses some of these same materials in its manufactured nutrient products.

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The Plant Nutrient business also manufactures and distributes a variety of industrial products throughout the U.S. and Puerto Rico including nitrogen reagents for air pollution control systems used in coal-fired power plants, water treatment and dust abatement products, and de-icers and anti-icers for airport runways, roadways, and other commercial applications.

Farm Centers   The Farm Centers offer a variety of essential crop nutrients, crop protection chemicals and seed products in addition to application and agronomic services to commercial and family farmers. Soil and tissue sampling along with global satellite assisted services provide for pinpointing crop or soil deficiencies and prescriptive agronomic advice is provided to farmer customers.

Storage capacity at the Company s wholesale nutrient and farm center facilities was approximately 15.3 million cubic feet for dry nutrients and approximately 72.4 million gallons for liquid nutrients at December 31, 2011. The Company reserves 7.2 million cubic feet of its dry storage capacity and 26.3 million gallons of its liquid nutrient capacity for basic manufacturers and customers. The agreements for reserved space provide the Company storage and handling fees and are generally for one to three year terms, renewable at the end of each term. The Company also leases 0.8 million gallons of liquid fertilizer capacity under arrangements with other distributors, farm supply dealers and public warehouses where the Company does not have facilities. Sales and warehouse shipments of agricultural nutrients are heaviest in the spring and fall.

In its plant nutrient businesses, the Company competes with regional and local cooperatives wholesalers and retailers, predominantly publicly owned manufacturers and privately owned retailers, wholesalers and importers. Some of these competitors are also suppliers and have considerably larger resources than the Company. Competition in the nutrient business of the Company is based largely on depth of product offering, price, location and service.

For the years ended December 31, 2011, 2010 and 2009, sales and service revenues in the wholesale business totaled $577.2 million, $520.5 million and $390.2 million, respectively. Sales of crop production inputs and service revenues in the farm center business totaled $113.4 million, $98.8 million and $101.1 million in 2011, 2010 and 2009, respectively.

The Company continues to identify opportunities to strategically grow the Plant Nutrient business. On October 31, 2011, the Company completed the purchase of Immokalee Farmers Supply, Inc., which principally supplies crop protection products to the specialty vegetable producers in Southwest Florida. On January 31, 2012, the Company announced the purchase of New Eezy Gro, Inc., which is a manufacturer and wholesale marketer of specialty agricultural nutrients and industrial products.

*Rail Group*

The Company s Rail Group ranks in the top ten in fleet size among privately-owned fleets in the U.S. This group repairs, sells and leases a fleet of almost 23,000 railcars and locomotives of various types, as well as a small number of containers. There are eleven railcar repair facilities across the country. In addition, fleet management services are offered to private railcar owners. The Rail Group is also an investor in the short-line railroad, Iowa Northern Railway Company ( IANR ).

The Company has a diversified fleet of car types (boxcars, gondolas, covered and open top hopper cars, tank cars and pressure differential cars), locomotives, and containers serving a broad customer base. The Company principally operates in the used car market   purchasing used cars and repairing and refurbishing them for specific markets and customers. The Company plans to continue to diversify its fleet both in terms of car types, industries and age of cars. The Rail Group will execute its strategy through expansion of its fleet of railcars and locomotives through targeted portfolio acquisitions and open market purchases as well as strategic selling or scrapping of railcars. The Company also plans to expand its repair and refurbishment operations by adding fixed and mobile facilities.

A significant portion of the railcars and locomotives managed by the Company are included on the balance sheet as long-lived assets. The others are either in off-balance sheet operating leases (with the Company leasing railcars from financial intermediaries and leasing those same railcars to the end-users of the railcars) or non-recourse arrangements (where the Company is not subject to any lease arrangement related to the railcars, but provides management services to the owner of the railcars).

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The Company generally holds purchase options on most railcars owned by financial intermediaries. We are under contract to provide maintenance services for many of the railcars that we own or manage. Refer to the Off-Balance Sheet Transactions section of Management s Discussion and Analysis for a breakdown of our railcar and locomotive positions at December 31, 2011.

In the case of our off-balance sheet railcars and locomotives, the risk management philosophy of the Company is to match-fund the lease commitments where possible. Match-funding (in relation to rail lease transactions) means matching the terms of the financial intermediary funding arrangement with the lease terms of the customer where the Company is both lessee and sublessor. If the Company is unable to match-fund, it will attempt to get an early buyout provision within the funding arrangement to match the underlying customer lease. The Company does not attempt to match-fund lease commitments for railcars that are on our balance sheet.

Competition for railcar marketing and fleet maintenance services is based primarily on price, service ability, and access to both used rail equipment and third party financing. Repair and fabrication shop competition is based primarily on price, quality and location.

For the years ended December 31, 2011, 2010 and 2009, revenues were $107.5 million, $94.8 million and $92.8 million, respectively, which include lease revenues of $70.8 million, $63.1 million and $75.6 million, respectively.

*Turf & Specialty Group*

The Turf & Specialty Group produces granular fertilizer and control products for the turf and ornamental markets. It also produces private label fertilizer and control products, and corncob-based animal bedding and cat litter for the consumer markets.

Turf Products Proprietary professional turf care products are produced for the golf course and professional turf care markets, serving both U.S. and international customers. These products are sold both directly and through distributors to golf courses under The Andersons Golf Products™ label and lawn service applicators. The Company also produces and sells fertilizer and control products for do-it-yourself application, to mass merchandisers, small independent retailers and other lawn fertilizer manufacturers and performs contract manufacturing of fertilizer and control products.

The turf products industry is seasonal with the majority of sales occurring from early spring to early summer. Principal raw materials for the turf care products are nitrogen, phosphate and potash, which are purchased primarily from the Company s Plant Nutrient Group. Competition is based principally on merchandising ability, logistics, service, quality and technology.

The Company attempts to minimize the amount of finished goods inventory it must maintain for customers, however, because demand is highly seasonal and influenced by local weather conditions, it may be required to carry inventory that it has produced into the next season. Also, because a majority of the consumer and industrial businesses use private label packaging, the Company closely manages production to anticipated orders by product and customer.

For the years ended December 31, 2011, 2010 and 2009, sales of granular plant fertilizer and control products totaled $109.2 million, $104.0 million and $109.5 million, respectively.

Cob Products The Company is one of a limited number of processors of corncob-based products in the United States. These products serve the chemical and feed ingredient carrier, animal litter and industrial markets, and are distributed throughout the United States and Canada and into Europe and Asia. The principal sources for corncobs are seed corn producers.

For the years ended December 31, 2011, 2010 and 2009, sales of corncob and related products totaled $20.5 million, $19.6 million and $15.8 million, respectively.

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*Retail Group*

The Company s Retail Group includes large retail stores operated as The Andersons, which are located in the Columbus and Toledo, Ohio markets. The retail concept is *More for Your Home*® and the stores focus on providing significant product breadth with offerings in home improvement and other mass merchandise categories as well as specialty foods, wine and indoor and outdoor garden centers. Each store has 100,000 square feet or more of in-store display space plus 40,000 or more square feet of outdoor garden center space, and features do-it-yourself clinics, special promotions and varying merchandise displays. The Company also operates a specialty food store operated as The Andersons Market located in the Toledo, Ohio market area. The specialty food store concept has product offerings with a strong emphasis on freshness that features produce, deli and bakery items, fresh meats, specialty and conventional dry goods and wine. The majority of the Company s non-perishable merchandise is received at a distribution center located in Maumee, Ohio. The Company also operates a sales and service facility for outdoor power equipment near one of its retail stores.

The retail merchandising business is highly competitive. The Company competes with a variety of retail merchandisers, including grocery stores, home centers, department and hardware stores. Many of these competitors have substantially greater financial resources and purchasing power than the Company. The principal competitive factors are location, quality of product, price, service, reputation and breadth of selection. The Company s retail business is affected by seasonal factors with significant sales occurring in the spring and during the holiday season.

For the years ended December 31, 2011, 2010 and 2009, sales of retail merchandise including commissions on third party sales totaled $157.6 million, $150.6 million and $161.9 million respectively.

***Employees***

The Andersons offers a broad range of full-time and part-time career opportunities. Each position in the Company is important to our success, and we recognize the worth and dignity of every individual. We strive to treat each person with respect and utilize his or her unique talents. At December 31, 2011 the Company had 1,690 full-time and 1,295 part-time or seasonal employees.

***Government Regulation***

Grain sold by the Company must conform to official grade standards imposed under a federal system of grain grading and inspection administered by the United States Department of Agriculture ( USDA ).

The production levels, markets and prices of the grains that the Company merchandises are affected by United States government programs, which include acreage control and price support programs of the USDA. In regards to our investments in ethanol production facilities, the U.S. government has mandated a ten percent blend for motor fuel gasoline sold. In addition, the U.S. Government provided incentives to the ethanol blender through December 2011 but has discontinued these incentives beginning in 2012. Also, under federal law, the President may prohibit the export of any product, the scarcity of which is deemed detrimental to the domestic economy, or under circumstances relating to national security. Because a portion of the Company s grain sales is to exporters, the imposition of such restrictions could have an adverse effect upon the Company s operations.

The U.S. Food and Drug Administration ( FDA ) has developed bioterrorism prevention regulations for food facilities, which require that we register our grain operations with the FDA, provide prior notice of any imports of food or other agricultural commodities coming into the United States and maintain records to be made available upon request that identifies the immediate previous sources and immediate subsequent recipients of our grain commodities.

The Company, like other companies engaged in similar businesses, is subject to a multitude of federal, state and local environmental protection laws and regulations including, but not limited to, laws and regulations relating to air quality, water quality, pesticides and hazardous materials.

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The provisions of these various regulations could require modifications of certain of the Company s existing facilities and could restrict the expansion of future facilities or significantly increase the cost of their operations. The Company spent approximately $1.7 million, $1.9 million and $1.8 million in order to comply with these regulations in 2011, 2010, and 2009, respectively.

***Available Information***

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available on our Company website soon after filing with the Securities and Exchange Commission. Our Company website is http://www.andersonsinc.com. The public may read and copy any materials the Company files with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These reports are also available at the SEC s website: http://www.sec.gov.

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## 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-K 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 following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained elsewhere in this Form 10-K.

***Certain of our business segments are affected by the supply and demand of commodities, and are sensitive to factors outside of our control. Adverse price movements could negatively affect our profitability and results of operations.***

Our Grain, Ethanol and Plant Nutrient businesses buy, sell and hold inventories of agricultural input and output commodities, some of which are readily traded on commodity futures exchanges. In addition, our Turf & Specialty business uses some of the same nutrient commodities as the Plant Nutrient business as base raw materials in manufacturing turf products. Unfavorable weather conditions, both local and worldwide, as well as other factors beyond our control, can affect the supply and demand of these commodities and expose us to liquidity pressures to finance hedges in the grain business in rapidly rising markets. In our Plant Nutrient and Turf & Specialty businesses, changes in the supply and demand of these commodities can also affect the value of inventories that we hold, as well as the price of raw materials as we are unable to effectively hedge these commodities. Increased costs of inventory and prices of raw material would decrease our profit margins and adversely affect our results of operations.

Corn The principal raw material the ethanol LLCs use to produce ethanol and co-products is corn. As a result, changes in the price of corn in the absence of a corresponding increase in petroleum based fuel prices will decrease ethanol margins thus adversely affecting financial results in the ethanol LLCs. At certain levels, corn prices may make ethanol uneconomical to use in fuel markets. The price of corn is influenced by weather conditions and other factors affecting crop yields, shift in acreage allocated to corn versus other major crops and general economic and regulatory factors. These factors include government policies and subsidies with respect to agriculture and international trade, and global and local demand and supply. The significance and relative effect of these factors on the price of corn is difficult to predict. Any event that tends to negatively affect the supply of corn, such as adverse weather or crop disease, could increase corn prices and potentially harm our share of the ethanol LLCs results. The Company will attempt to lock in ethanol margins as far out as practical in order to secure reasonable returns using whatever risk management tools are available in the marketplace. In addition, we may also have difficulty, from time to time, in physically sourcing corn on economical terms due to supply shortages. High costs or shortages could require us to suspend ethanol operations until corn is available on economical terms, which would have a material adverse effect on operating results.

Grains While we attempt to manage the risk associated with commodity price changes for our grain inventory positions with derivative instruments, including purchase and sale contracts, we are unable to offset 100% of the price risk of each transaction due to timing, availability of futures and options contracts and third party credit risk. Furthermore, there is a risk that the derivatives we employ will not be effective in offsetting all of the risks we are trying to manage. This can happen when the derivative and the underlying value of grain inventories and purchase and sale contracts are not perfectly matched. Our grain derivatives, for example, do not perfectly correlate with the basis component of our grain inventory and contracts. (Basis is defined as the difference between the cash price of a commodity and the corresponding exchange-traded futures price.) Differences can reflect time periods, locations or product forms. Although the basis component is smaller and generally less volatile than the futures component of our grain market price, significant basis moves on a large grain position can significantly impact the profitability of the Grain business.

Our futures, options and over-the-counter contracts are subject to margin calls. If there is a significant movement in the commodities market, we could be required to post significant levels of margin, which would impact our liquidity. There is no assurance that the efforts we have taken to mitigate the impact of the volatility of the prices of commodities upon which we rely will be successful and any sudden change in the price of these commodities could have an adverse affect on our business and results of operations.

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Natural Gas We rely on third parties for our supply of natural gas, which is consumed in the drying of wet grain, manufacturing of certain turf products, pelleted lime and gypsum, and manufacturing of ethanol within the LLCs. The prices for and availability of natural gas are subject to market conditions. These market conditions often are affected by factors beyond our control such as higher prices resulting from colder than average weather conditions and overall economic conditions. Significant disruptions in the supply of natural gas could impair the operations of the ethanol facilities. Furthermore, increases in natural gas prices or changes in our natural gas costs relative to natural gas costs paid by competitors may adversely affect future results of operations and financial position.

Gasoline In addition, we market ethanol as a fuel additive to reduce vehicle emissions from gasoline, as an octane enhancer to improve the octane rating of gasoline with which it is blended and as a substitute for petroleum based gasoline. As a result, ethanol prices will be influenced by the supply and demand for gasoline and our future results of operations and financial position may be adversely affected if gasoline demand or price changes.

Potash, phosphate and nitrogen Raw materials used by the Plant Nutrient business include potash, phosphate and nitrogen, for which prices can be volatile driven by global and local supply and demand factors. Significant increases in the price of these commodities may result in lower customer demand and higher than optimal inventory levels. In contrast, reductions in the price of these commodities may create lower-of-cost-or-market inventory adjustments to inventories.

***Some of our business segments operate in highly regulated industries. Changes in government regulations or trade association policies could adversely affect our results of operations.***

Many of our business segments are subject to government regulation and regulation by certain private sector associations, compliance with which can impose significant costs on our business. Failure to comply with such regulations can result in additional costs, fines or criminal action.

A significant part of our operations is regulated by environmental laws and regulations, including those governing the labeling, use, storage, discharge and disposal of hazardous materials. Because we use and handle hazardous substances in our businesses, changes in environmental requirements or an unanticipated significant adverse environmental event could have a material adverse effect on our business. We cannot assure you that we have been, or will at all times be, in compliance with all environmental requirements, or that we will not incur material costs or liabilities in connection with these requirements. Private parties, including current and former employees, could bring personal injury or other claims against us due to the presence of, or exposure to, hazardous substances used, stored or disposed of by us, or contained in our products. We are also exposed to residual risk because some of the facilities and land which we have acquired may have environmental liabilities arising from their prior use. In addition, changes to environmental regulations may require us to modify our existing plant and processing facilities and could significantly increase the cost of those operations.

Grain and Ethanol businesses In our Grain and Ethanol businesses, agricultural production and trade flows can be affected by government programs and legislation. Production levels, markets and prices of the grains we merchandise can be affected by U.S. government programs, which include acreage controls and price support programs administered by the USDA. Other examples of government policies that can have an impact on our business include tariffs, duties, subsidies, import and export restrictions and outright embargoes. Because a portion of our grain sales are to exporters, the imposition of export restrictions could limit our sales opportunities. In addition, we have invested in the ethanol industry where development has been stimulated by Federal mandates for refiners to blend ethanol. Future changes in those mandates could have an impact on U.S. ethanol demand.

Rail Our Rail business is subject to regulation by the American Association of Railroads and the Federal Railroad Administration. These agencies regulate rail operations with respect to health and safety matters. New regulatory rulings could negatively impact financial results through higher maintenance costs or reduced economic value of railcar assets.

The Rail business is also subject to risks associated with the demands and restrictions of the Class 1 railroads, a group of rail companies owning a high percentage of the existing rail lines. These companies exercise a high degree of control over whether private railcars can be allowed on their lines and may reject certain railcars or require maintenance or improvements to the railcars. This presents risk and uncertainty for our Rail business and it can increase maintenance costs. In addition, a shift in the railroad strategy to investing in new rail cars and improvements to existing railcars, instead of investing in locomotives and infrastructure, could adversely impact our business by causing increased competition and creating a greater oversupply of railcars. Our rail fleet consists of a range of railcar types (boxcars, gondolas, covered and open top hoppers, tank cars and pressure differential cars), locomotives and a small number of containers. However a large concentration of a particular type of railcar could expose us to risk if demand were to decrease for that railcar type. Failure on our part to identify and assess risks and uncertainties such as these could negatively impact our business.

Turf & Specialty    Our Turf & Specialty business manufactures lawn fertilizers and weed and pest control products and uses potentially hazardous materials. All products containing pesticides, fungicides and herbicides must be registered with the U.S. Environmental Protection Agency ( EPA ) and state regulatory bodies before they can be sold. The inability to obtain or the cancellation of such registrations could have an adverse impact on our business. In the past, regulations governing the use and registration of these materials have required us to adjust the raw material content of our products and make formulation changes. Future regulatory changes may have similar consequences. Regulatory agencies, such as the EPA, may at any time reassess the safety of our products based on new scientific knowledge or other factors. If it were determined that any of our products were no longer considered to be safe, it could result in the amendment or withdrawal of existing approvals, which, in turn, could result in a loss of revenue, cause our inventory to become obsolete or give rise to potential lawsuits against us. Consequently, changes in existing and future government or trade association polices may restrict our ability to do business and cause our financial results to suffer.

***We are required to carry significant amounts of inventory across all of our businesses. If a substantial portion of our inventory becomes damaged or obsolete, its value would decrease and our profit margins would suffer.***

We are exposed to the risk of a decrease in the value of our inventories due to a variety of circumstances in all of our businesses. For example, within our Grain and Ethanol businesses, there is the risk that the quality of our grain inventory could deteriorate due to damage, moisture, insects, disease or foreign material. If the quality of our grain were to deteriorate below an acceptable level, the value of our inventory could decrease significantly. In our Plant Nutrient business, planted acreage, and consequently the volume of fertilizer and crop protection products applied, is partially dependent upon government programs and the perception held by the producer of demand for production. Technological advances in agriculture, such as genetically engineered seeds that resist disease and insects, or that meet certain nutritional requirements, could also affect the demand for our crop nutrients and crop protection products. Either of these factors could render some of our inventory obsolete or reduce its value. Within our Rail business, major design improvements to loading, unloading and transporting of certain products can render existing (especially old) equipment obsolete. A significant portion of our rail fleet is composed of older railcars. In addition, in our Turf & Specialty business, we build substantial amounts of inventory in advance of the season to prepare for customer demand. If we were to forecast our customer demand incorrectly, we could build up excess inventory which could cause the value of our inventory to decrease.

***Our substantial indebtedness could negatively affect our financial condition, decrease our liquidity and impair our ability to operate the business.***

If cash on hand is insufficient to pay our obligations or margin calls as they come due at a time when we are unable to draw on our credit facility, it could have an adverse effect on our ability to conduct our business. Our ability to make payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. Our ability to generate cash is dependent on various factors.

These factors include general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Certain of our long-term borrowings include provisions that require minimum levels of working capital and equity, and impose limitations on additional debt. Our ability to satisfy these provisions can be affected by events beyond our control, such as the demand for and fluctuating price of grain. Although we are and have been in compliance with these provisions, noncompliance could result in default and acceleration of long-term debt payments.

***Adoption of new accounting rules can affect our financial position and results of operations.***

The Company s implementation of and compliance with changes in accounting rules and interpretations could adversely affect its operating results or cause unanticipated fluctuations in its results in future periods. The accounting rules and regulations that the Company must comply with are complex and continually changing. The Financial Accounting Standards Board has recently introduced several new or proposed accounting standards, or is developing new proposed standards, such as International Financial Reporting Standards convergence projects, which would represent a significant change from current industry practices. Potential changes in accounting for leases, for example, will eliminate the off-balance sheet treatment of operating leases, which would not only impact the way we account for these leases, but may also impact our customers lease-versus-buy decisions and could have a negative impact on demand for our rail leases. The Company cannot predict the impact of future changes to accounting principles or its accounting policies on its financial statements going forward.

***We face increasing competition and pricing pressure from other companies in our industries. If we are unable to compete effectively with these companies, our sales and profit margins would decrease, and our earnings and cash flows would be adversely affected.***

The markets for our products in each of our business segments are highly competitive. While we have substantial operations in our region, some of our competitors are significantly larger, compete in wider markets, have greater purchasing power, and have considerably larger financial resources. We also may enter into new markets where our brand is not recognized and do not have an established customer base. Competitive pressures in all of our businesses could affect the price of, and customer demand for, our products, thereby negatively impacting our profit margins and resulting in a loss of market share.

***Our grain and ethanol businesses use derivative contracts to reduce volatility in the commodity markets. Non-performance by the counter-parties to those contracts could adversely affect our future results of operations and financial position.***

A significant amount of our grain and ethanol purchases and sales are done through forward contracting. In addition, the Company uses exchange traded and to a lesser degree over-the-counter contracts to reduce volatility in changing commodity prices. A significant adverse change in commodity prices could cause a counter-party to one or more of our derivative contracts not to perform on their obligation.

***We rely on a limited number of suppliers for certain of our raw materials and other products and the loss of one or several of these suppliers could increase our costs and have a material adverse effect on any one of our business segments.***

We rely on a limited number of suppliers for certain of our raw materials and other products. If we were unable to obtain these raw materials and products from our current vendors, or if there were significant increases in our supplier s prices, it could significantly increase our costs and reduce our profit margins.

***Our investments in limited liability companies are subject to risks beyond our control.***

We currently have investments in numerous limited liability companies. By operating a business through this arrangement, we do not have full control over operating decisions like we would if we owned the business outright. Specifically, we cannot act on major business initiatives without the consent of the other investors who may not always be in agreement with our ideas.

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***The Company may not be able to effectively integrate additional businesses it acquires in the future.***

We continuously look for opportunities to enhance our existing businesses through strategic acquisitions. The process of integrating an acquired business into our existing business and operations may result in unforeseen operating difficulties and expenditures as well as require a significant amount of management resources. There is also the risk that our due diligence efforts may not uncover significant business flaws or hidden liabilities. In addition, we may not realize the anticipated benefits of an acquisition and they may not generate the anticipated financial results. Additional risks may include the inability to effectively integrate the operations, products, technologies and personnel of the acquired companies. The inability to maintain uniform standards, controls, procedures and policies would also negatively impact operations.

***Our business involves considerable safety risks. Significant unexpected costs and liabilities would have a material adverse effect on our profitability and overall financial position.***

Due to the nature of some of the businesses in which we operate, we are exposed to significant operational hazards such as grain dust explosions, fires, malfunction of equipment, abnormal pressures, blowouts, pipeline and tank ruptures, chemical spills or run-off, transportation accidents and natural disasters. Some of these operational hazards may cause personal injury or loss of life, severe damage to or destruction of property and equipment or environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties. If one of our elevators were to experience a grain dust explosion or if one of our pieces of equipment were to fail or malfunction due to an accident or improper maintenance, it could put our employees and others at serious risk.

***The Company s information technology systems may impose limitations or failures which may affect the Company s ability to conduct its business.***

The Company s information technology systems, some of which are dependent on services provided by third-parties, provide critical data connectivity, information and services for internal and external users. These interactions include, but are not limited to, ordering and managing materials from suppliers, converting raw materials to finished products, inventory management, shipping products to customers, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, and other processes necessary to manage the business. The Company has put in place business continuity plans for its critical systems. However, if the Company s information technology systems are damaged, or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, and the Company s business continuity plans do not effectively recover on a timely basis, the Company may suffer interruptions in the ability to manage its operations, which may adversely impact the Company s revenues and operating results. In addition, although the system has been refreshed periodically, the infrastructure is outdated and may not be adequate to support new business processes, accounting for new transactions, or implementation of new accounting standards if requirements are complex or materially different than what is currently in place.

***The Company may be unable to recover process development and testing costs, which could increase the cost of operating its business.***

Early in 2012, the Company began implementing an Enterprise Resource Planning ( ERP ) system that will require significant amounts of capital and human resources to deploy. If for any reason this implementation is not successful, the Company could be required to expense rather than capitalize related amounts. Throughout implementation of the system there are also risks created to the Company s ability to successfully and efficiently operate. These risks include, but are not limited to the inability to resource the appropriate combination of highly skilled employees, distractions to operating the base business due to use of employees time for the project, as well as unforeseen additional costs due to the inability to appropriately integrate within the planned timeframe.

**Item 2. Properties**

The Company s principal agriculture, rail, retail and other properties are described below.

***Agriculture Facilities***

| (in thousands) | | Agricultural Fertilizer | |
|---|---|---|---|
| Location | Grain Storage (bushels) | Dry Storage (cubic feet) | Liquid Storage (gallons) |
| Florida | | 137 | 3,965 |
| Illinois | 13,389 | 2,233 | |
| Indiana | 29,189 | 4,323 | 24,253 |
| Michigan | 17,571 | 1,787 | 5,304 |
| Minnesota | | | 10,419 |
| Nebraska | 7,267 | | |
| Ohio | 41,623 | 6,759 | 9,041 |
| Puerto Rico | | | 4,472 |
| Wisconsin | | 57 | 14,942 |
| | 109,039 | 15,296 | 72,396 |

The grain facilities are mostly concrete and steel tanks, with some flat storage, which is primarily cover-on-first temporary storage. The Company also owns grain inspection buildings and dryers, maintenance buildings and truck scales and dumps. Approximately 81% of the total storage capacity is owned, while the remaining 19% of the total capacity is leased from third parties.

The Plant Nutrient Group s wholesale nutrient and farm center properties consist mainly of fertilizer warehouse and formulation and packaging facilities for dry and liquid fertilizers. The Company owns all dry storage facilities and 94% of the total liquid storage facilities. The tanks located in Puerto Rico are leased.

***Retail Store Properties***

| Name | Location | Square Feet |
|---|---|---|
| Maumee Store | Maumee, OH | 166,000 |
| Toledo Store | Toledo, OH | 162,000 |
| Woodville Store (1) | Northwood, OH | 120,000 |
| Sawmill Store | Columbus, OH | 169,000 |
| Brice Store | Columbus, OH | 159,000 |
| The Andersons Market (1) | Sylvania, OH | 30,000 |
| Distribution Center (1) | Maumee, OH | 245,000 |

(1) Facility leased

The leases for the two stores and the distribution center are operating leases with several renewal options and provide for minimum aggregate annual lease payments approximating $1.7 million. In addition, the Company owns a service and sales facility for outdoor power equipment adjacent to its Maumee, Ohio retail store.

***Other Properties***

The Company owns lawn fertilizer production facilities in Maumee, Ohio; Bowling Green, Ohio; and Montgomery, Alabama. It also owns a corncob processing and storage facility in Delphi, Indiana. The Company leases a lawn fertilizer warehouse facility in Toledo, Ohio.

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The Company also owns an auto service center that is leased to its former venture partner. The Company s administrative office building is leased under a net lease expiring in 2015. The Company owns approximately 1,456 acres of land on which the above properties and facilities are located and approximately 307 acres of farmland and land held for sale or future use.

The Company believes that its properties are adequate for its business, well maintained and utilized, suitable for their intended uses and adequately insured.

**Item 3. 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 the 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 liabilities 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 4. Mine Safety**

Not applicable.

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**Executive Officers of the Registrant**

The information is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K. The executive officers of The Andersons, Inc., their positions and ages (as of March 1, 2012) are presented in the table below.

| Name | Position | Age | Year Assumed |
|---|---|---|---|
| Dennis J. Addis | President, Grain Group | 59 | 2012 |
| | President, Plant Nutrient Group | | 2000 |
| Daniel T. Anderson | President, Retail Group and Vice President, Corporate Operations Services | 56 | 2009 |
| | President, Retail Group | | 1996 |
| Michael J. Anderson | President and Chief Executive Officer | 60 | 1999 |
| Naran U. Burchinow | Vice President, General Counsel and Secretary | 58 | 2005 |
| Nicholas C. Conrad | Vice President, Finance and Treasurer | 59 | 2009 |
| | Assistant Treasurer | | 1996 |
| Arthur D. DePompei | Vice President, Human Resources | 58 | 2008 |
| Neill McKinstray | President, Ethanol Group | 59 | 2012 |
| | Vice President & General Manager, Ethanol Division | | 2005 |
| Harold M. Reed | Chief Operating Officer | 55 | 2012 |
| | President, Grain & Ethanol Group | | 2000 |
| Anne G. Rex | Vice President, Corporate Controller | 47 | 2012 |
| | Assistant Controller | | 2002 |
| Rasesh H. Shah | President, Rail Group | 57 | 1999 |
| Tamara S. Sparks | Vice President, Corporate Business /Financial Analysis | 43 | 2007 |
| | Internal Audit Manager | | 1999 |
| Thomas L. Waggoner | President, Turf & Specialty Group | 57 | 2005 |
| William J. Wolf | President, Plant Nutrient Group | 54 | 2012 |
| | Vice President of Supply & Merchandising, Plant Nutrient Group | | 2008 |

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## PART II

### Item 5. Market for the Registrant s Common Equity and Related Stockholder Matters

The Common Shares of The Andersons, Inc. trade on the Nasdaq Global Select Market under the symbol ANDE. On February 9, 2012, the closing price for the Company s Common Shares was $42.84 per share. The following table sets forth the high and low bid prices for the Company s Common Shares for the four fiscal quarters in each of 2011 and 2010.

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| **Quarter Ended** | | | | |
| March 31 | $ 51.23 | $ 36.45 | $ 35.36 | $ 24.59 |
| June 30 | 50.17 | 37.62 | 37.99 | 29.90 |
| September 30 | 43.99 | 33.62 | 40.16 | 31.28 |
| December 31 | 45.75 | 30.04 | 42.44 | 32.01 |

The Company s transfer agent and registrar is Computershare Investor Services, LLC, 2 North LaSalle Street, Chicago, IL 60602. Telephone: 312-588-4991.

***Shareholders***

At February 9, 2012, there were approximately 18.5 million common shares outstanding, 1,343 shareholders of record and approximately 13,276 shareholders for whom security firms acted as nominees.

***Dividends***

The Company has declared and paid consecutive quarterly dividends since the end of 1996, its first year of trading on the Nasdaq market. Dividends paid from January 2010 to January 2012 are as follows:

| Payment Date | Amount |
|---|---|
| 01/25/10 | $ 0.0875 |
| 04/22/10 | $ 0.0900 |
| 07/22/10 | $ 0.0900 |
| 10/22/10 | $ 0.0900 |
| 01/24/11 | $ 0.1100 |
| 04/22/11 | $ 0.1100 |
| 07/22/11 | $ 0.1100 |
| 09/30/11 | $ 0.1100 |
| 01/24/12 | $ 0.1500 |

While the Company s objective is to pay a quarterly cash dividend, dividends are subject to Board of Director approval.

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***Equity Plans***

The following table gives information as of December 31, 2011 about the Company s Common Shares that may be issued upon the exercise of options under all of its existing equity compensation plans.

| | Equity Compensation Plan Information | | |
|---|---|---|---|
| Plan category | (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
| Equity compensation plans approved by security holders | 760,767[(1)] | $ 32.06 | 662,437[(2)] |
| Equity compensation plans not approved by security holders | | | |
| Total | 760,767 | $ 32.06 | 662,437 |

(1) This number includes 502,532 Share Only Share Appreciation Rights ( SOSARs ), 164,951 performance share units and 93,284 restricted shares outstanding under The Andersons, Inc. 2005 Long-Term Performance Compensation Plan dated May 6, 2005. This number does not include any shares related to the Employee Share Purchase Plan. The Employee Share Purchase Plan allows employees to purchase common shares at the lower of the market value on the beginning or end of the calendar year through payroll withholdings. These purchases are completed as of December 31.

(2) This number includes 265,978 Common Shares available to be purchased under the Employee Share Purchase Plan.

***Purchases of Equity Securities by the Issuer and Affiliated Purchasers***

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 0.2 million shares in the open market. The following table presents the Company s share purchases in 2011. All shares repurchased in the fourth quarter were made in the month of October.

| 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 |
|---|---|---|---|---|
| March 31 | | $ | | |
| June 30 | 3,650 | 38.42 | | |
| September 30 | 72,421 | 36.28 | | |
| December 31 | 8,887 | 32.73 | | |
| 2011 Total | 84,958 | $ 35.81 | | |

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*Performance Graph*

The graph below compares the total shareholder return on the Corporation s Common Shares to the cumulative total return for the Nasdaq U.S. Index and a Peer Group Index. The indices reflect the year-end market value of an investment in the stock of each company in the index, including additional shares assumed to have been acquired with cash dividends, if any. The Peer Group Index, weighted for market capitalization, includes the following companies:

- Agrium, Inc.
- Archer-Daniels-Midland Co.
- Corn Products International, Inc.
- GATX Corp.
- Greenbrier Companies, Inc.
- The Scott s Miracle-Gro Company
- Lowes Companies, Inc.

The graph assumes a $100 investment in The Andersons, Inc. Common Shares on December 31, 2006 and also assumes investments of $100 in each of the Nasdaq U.S. and Peer Group indices, respectively, on December 31 of the first year of the graph. The value of these investments as of the following calendar year-ends is shown in the table below the graph.

| | Base Period | Cumulative Returns | | | | |
|---|---|---|---|---|---|---|
| | December 31, 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| The Andersons, Inc. | $ 100.00 | $ 106.28 | $ 39.54 | $ 62.88 | $ 89.48 | $ 108.72 |
| NASDAQ U.S. | 100.00 | 110.65 | 66.42 | 96.54 | 114.07 | 113.16 |
| Peer Group Index | 100.00 | 102.37 | 77.79 | 91.04 | 104.23 | 101.10 |

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**Item 6. Selected Financial Data**

The following table sets forth selected consolidated financial data of the Company. The data for each of the five years in the period ended December 31, 2011 are derived from the Consolidated Financial Statements of the Company. The data presented below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, included in Item 7, and the Consolidated Financial Statements and notes thereto included in Item 8.

| | For the years ended December 31, | | | | |
|---|---|---|---|---|---|
| (in thousands, except for per share and ratios and other data) | **2011** | **2010** | **2009** | **2008** | **2007** |
| **Operating results** | | | | | |
| Sales and merchandising revenues (a) | **$ 4,576,331** | $ 3,393,791 | $ 3,025,304 | $ 3,489,478 | $ 2,379,059 |
| Gross profit (b) | **352,852** | 281,679 | 255,506 | 257,829 | 239,712 |
| Equity in earnings of affiliates | **41,450** | 26,007 | 17,463 | 4,033 | 31,863 |
| Other income, net (c) | **7,922** | 11,652 | 8,331 | 6,170 | 21,731 |
| Net income | **96,825** | 64,881 | 39,566 | 30,097 | 67,428 |
| Net income attributable to The Andersons, Inc. | **95,106** | 64,662 | 38,351 | 32,900 | 68,784 |
| **Financial position** | | | | | |
| Total assets | **1,734,123** | 1,699,390 | 1,284,391 | 1,308,773 | 1,324,988 |
| Working capital | **312,971** | 301,815 | 307,702 | 330,699 | 177,679 |
| Long-term debt (d) | **238,088** | 263,675 | 288,756 | 293,955 | 133,195 |
| Long-term debt, non-recourse (d) | **797** | 13,150 | 19,270 | 40,055 | 56,277 |
| Total equity | **538,842** | 464,559 | 406,276 | 365,107 | 356,583 |
| **Cash flows / liquidity** | | | | | |
| Cash flows from (used in) operations | **290,265** | (239,285) | 180,241 | 278,664 | (158,395) |
| Depreciation and amortization | **40,837** | 38,913 | 36,020 | 29,767 | 26,253 |
| Cash invested in acquisitions / investments in affiliates | **2,486** | 39,688 | 31,680 | 60,370 | 36,249 |
| Investments in property, plant and equipment | **44,162** | 30,897 | 16,560 | 20,315 | 20,346 |
| Net investment in (proceeds from) railcars (e) | **33,763** | (1,748) | 16,512 | 29,533 | 8,751 |
| EBITDA (f) | **212,252** | 162,702 | 116,989 | 110,372 | 151,162 |
| **Per share data:** (g) | | | | | |
| Net income basic | **5.13** | 3.51 | 2.10 | 1.82 | 3.85 |
| Net income diluted | **5.09** | 3.48 | 2.08 | 1.79 | 3.75 |
| Dividends paid | **0.4400** | 0.3575 | 0.3475 | 0.325 | 0.220 |
| Year-end market value | **43.66** | 36.35 | 25.82 | 16.48 | 44.80 |
| **Ratios and other data** | | | | | |
| Net income attributable to The Andersons, Inc. return on beginning equity attributable to The Andersons, Inc. | **21.1%** | 16.4% | 10.9% | 9.6% | 25.4% |
| Funded long-term debt to equity ratio (h) | **0.4-to-1** | 0.6-to-1 | 0.8-to-1 | 0.9-to-1 | 0.5-to-1 |
| Weighted average shares outstanding (000 s) | **18,457** | 18,356 | 18,190 | 18,068 | 17,833 |
| Effective tax rate | **34.5%** | 37.7% | 35.7% | 35.4% | 35.5% |

(a) Includes sales of $1,385.4 million in 2011, $928.2 million in 2010, $806.3 million in 2009, $865.8 million in 2008, and $407.4 million in 2007 pursuant to marketing and originations agreements between the Company and the ethanol LLCs.

(b) Gross profit in 2011, 2009, and 2008 includes a $3.1 million, $2.9 million, and $97.2 million write down in the Plant Nutrient Group for lower-of-cost-or-market inventory adjustments for inventory on hand and firm purchase commitments that were valued higher than the market.

(c) Includes $1.7 million and $1.1 million of dividend income from IANR in 2011 and 2010, respectively. Includes $2.2 million in Rail end of lease settlements in 2010. Includes development fees related to ethanol joint venture formation of $1.3 million in 2008, and $5.4 million in 2007. Includes $4.9 million in gain on available for sale securities in 2007.

(d) Excludes current portion of long-term debt.

(e) Represents the net of purchases of railcars offset by proceeds on sales of railcars.

(f)

Earnings before interest, taxes, depreciation and amortization, or EBITDA, is a non-GAAP measure. It is one of the measures the Company uses to evaluate its liquidity. The Company believes that EBITDA provides additional information important to investors and others in determining the ability to meet debt service obligations. EBITDA does not represent and

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should not be considered as an alternative to net income or cash flow from operations as determined by generally accepted accounting principles, and EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements, for debt service obligations or otherwise. Because EBITDA, as determined by the Company, excludes some, but not all, items that affect net income, it may not be comparable to EBITDA or similarly titled measures used by other companies.

(g) Earnings per share are calculated based on Income attributable to The Andersons, Inc.

(h) Calculated by dividing long-term debt by total year-end equity as stated under Financial position.

The following table sets forth (1) our calculation of EBITDA and (2) a reconciliation of EBITDA to our net cash flow provided by (used in) operations.

| | For the years ended December 31, | | | | |
|---|---|---|---|---|---|
| (in thousands) | **2011** | **2010** | **2009** | **2008** | **2007** |
| Net income attributable to The Andersons, Inc. | **$ 95,106** | $ 64,662 | $ 38,351 | $ 32,900 | $ 68,784 |
| Add: | | | | | |
| Provision for income taxes | **51,053** | 39,262 | 21,930 | 16,466 | 37,077 |
| Interest expense | **25,256** | 19,865 | 20,688 | 31,239 | 19,048 |
| Depreciation and amortization | **40,837** | 38,913 | 36,020 | 29,767 | 26,253 |
| EBITDA | **212,252** | 162,702 | 116,989 | 110,372 | 151,162 |
| Add/(subtract): | | | | | |
| Provision for income taxes | **(51,053)** | (39,262) | (21,930) | (16,466) | (37,077) |
| Interest expense | **(25,256)** | (19,865) | (20,688) | (31,239) | (19,048) |
| Realized gains on railcars and related leases | **(8,417)** | (7,771) | (1,758) | (4,040) | (8,103) |
| Deferred income taxes | **5,473** | 12,205 | 16,430 | 4,124 | 5,274 |
| Excess tax benefit from share-based payment arrangement | **(307)** | (876) | (566) | (2,620) | (5,399) |
| Equity in earnings of unconsolidated affiliates, net of distributions received | **(23,591)** | (17,594) | (15,105) | 19,307 | (23,583) |
| Noncontrolling interest in income (loss) of affiliates | **1,719** | 219 | 1,215 | (2,803) | (1,356) |
| Changes in working capital and other | **179,445** | (329,043) | 105,654 | 202,029 | (220,265) |
| Net cash provided by (used in) operations | **$ 290,265** | $ (239,285) | $ 180,241 | $ 278,664 | $ (158,395) |

The Company has included its Computation of Earnings to Fixed Charges in Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K as Exhibit 12.

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**Item 7. 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 factors, including those listed under Item 1A, Risk Factors. In some cases, you can identify forward-looking statements by terminology such as may, anticipates, believes, estimates, predicts, or the negati 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.

**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 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 December 31, 2011 were 77.5 million bushels, of which 0.4 million bushels were stored for others. This compares to 68.1 million bushels on hand at December 31, 2010, of which 20.0 million bushels were stored for others. At December 31, 2010, Grain had a significant number of bushels on delivery (bushels physically sold to a customer for which the Company no longer has ownership of) with the CME, which was not the case at December 31, 2011.

During 2011, Grain increased its storage capacity by approximately 1.7 million bushels through grain merchandising and handling agreements and expansion at existing locations. The total storage capacity is approximately 109.0 million bushels as of December 31, 2011 compared to 107.3 million bushels at December 31, 2010. The Grain Group is 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.

Looking ahead, increased corn acres without a corresponding drop in yields will likely lead to lower corn and grain commodity prices. According to the February 9, 2012 USDA crop report, agricultural commodity prices decreased across the board.

***Ethanol Business***

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

The E-85 blend is now being produced by all three ethanol LLCs. A combined total of 11.9 million gallons were sold by these facilities in 2011. In addition, the Ethanol Group has entered into corn oil marketing agreements with TAME and TACE for which a commission is earned on each pound sold.

As is typical for this time of year, forward margins for ethanol are negative. 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.

***Plant Nutrient Business***

The Company s 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 30 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.

Margins were strong in 2011 for the Plant Nutrient business as a result of price appreciation resulting from strong world demand creating a tight supply situation. Volume was down due to a strong fourth quarter of 2010 and extremely wet weather conditions throughout the spring and fall of 2011 which reduced the ability to apply nutrients in the fields. Favorable weather in early 2012 should allow for nutrient application that did not occur in the prior quarter. We expect 2012 volume to be strong as acres planted are expected to increase and grain prices have been strong as well.

On October 31, 2011, the Company completed the purchase of the Florida based Immokalee Farmers Supply, Inc., which serves the specialty vegetable producers in Southwest Florida. Subsequent to year end, the Company announced the purchase of the Ohio based New Eezy Gro, Inc., which is a manufacturer and wholesale marketer of specialty agricultural nutrients and industrial products.

***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. 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 December 31, 2011 were 22,675 compared to 22,475 at December 31, 2010. The average utilization rate (railcars and locomotives under management that are in lease service, exclusive of railcars managed for third party investors) has increased from 73.6% for the year ended December 31, 2010 to 84.6% for the year ended December 31, 2011. Rail traffic in early 2012 is anticipated to slightly increase over 2011.

During the fourth quarter of 2011, the Rail Group offered a 1,400 car portfolio sale to potential buyers. One or more deals are expected to close on a portion of the cars in the first quarter of 2012 and could result in a gain of up to $9.0 million.

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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.

***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. The Retail Group continues to work on new departments and products to maximize the profitability.

***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 the city of Maumee and surrounding areas. In addition to the capital investment, the Company will retain 636 and create a minimum of 20 full-time equivalent positions.

**Operating Results**

The following discussion focuses on the operating results as shown in the Consolidated Statements of Income with a separate discussion by segment. Additional segment information is included in Note 7 to the Company s Consolidated Financial Statements in Item 8.

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| (in thousands) | Year ended December 31, 2011 | 2010 | 2009 |
|---|---|---|---|
| Sales and merchandising revenues | **$ 4,576,331** | $ 3,393,791 | $ 3,025,304 |
| Cost of sales and merchandising revenues | **4,223,479** | 3,112,112 | 2,769,798 |
| Gross profit | **352,852** | 281,679 | 255,506 |
| Operating, administrative and general expenses | **229,090** | 195,330 | 199,116 |
| Interest expense | **25,256** | 19,865 | 20,688 |
| Equity in earnings of affiliates | **41,450** | 26,007 | 17,463 |
| Other income, net | **7,922** | 11,652 | 8,331 |
| Income before income taxes | **147,878** | 104,143 | 61,496 |
| Income attributable to noncontrolling interest | **1,719** | 219 | 1,215 |
| Operating income | **$ 146,159** | $ 103,924 | $ 60,281 |

**Comparison of 2011 with 2010**

***Grain Group***

| (in thousands) | Year ended December 31, 2011 | 2010 |
|---|---|---|
| Sales and merchandising revenues | **$ 2,849,358** | $ 1,936,813 |
| Cost of sales and merchandising revenues | **2,705,745** | 1,833,097 |
| Gross profit | **143,613** | 103,716 |
| Operating, administrative and general expenses | **69,258** | 50,861 |
| Interest expense | **13,277** | 6,686 |
| Equity in earnings of affiliates | **23,748** | 15,648 |
| Other income, net | **2,462** | 2,557 |
| Operating income | **$ 87,288** | $ 64,374 |

Operating results for the Grain Group increased $22.9 million over 2010. Sales and merchandising revenues increased $912.5 million over 2010, primarily as a result of higher grain prices and the acquisition of B4 Grain, Inc. in December 2010 which accounts for $220.3 million of the increase.

Gross profit increased $39.9 million primarily as a result of substantial wheat basis appreciation and spread gains. Basis is the difference between the cash price of a commodity in one of the Company s facilities and the nearest exchange traded futures price. Basis income was higher than 2010 by $43.1 million primarily due to wheat. The increase due to spread gains was $9.3 million higher in the current year. The increase was offset by a $10.4 million decrease in storage income as a result of having fewer bushels of wheat on delivery as compared to 2010.

Operating expenses increased by $18.4 million over 2010. A large portion of the increase is higher labor and benefits expenses due to necessary expansion of human resources as a result of business growth. Specifically, $1.8 million of the labor and benefits increase related to the acquisition noted above. Performance incentives expense was also up year-over-year due to strong financial performance.

Interest expense increased $6.6 million due to a greater need to cover margin deposits which were a result of higher grain prices in the first half of 2011, as well as more wheat bushels on delivery at the end of 2011 versus 2010 upon which short-term interest is calculated.

Equity in earnings of affiliates increased $8.1 million over 2010. Income from the Group s investment in LTG increased $8.4 million due primarily to strong results in the core grain and point to point merchandising businesses. Other income did not fluctuate significantly from prior

year.

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***Ethanol Group***

| (in thousands) | Year ended December 31, 2011 | 2010 |
|---|---|---|
| Sales and merchandising revenues | **$ 641,546** | $ 468,639 |
| Cost of sales and merchandising revenues | **626,524** | 453,865 |
| Gross profit | **15,022** | 14,774 |
| Operating, administrative and general expenses | **6,785** | 6,440 |
| Interest expense | **1,048** | 1,629 |
| Equity in earnings of affiliates | **17,715** | 10,351 |
| Other income, net | **159** | 176 |
| Income before income taxes | **25,063** | 17,232 |
| Income attributable to noncontrolling interest | **1,719** | 219 |
| Operating income | **$ 23,344** | $ 17,013 |

Operating results for the Ethanol Group increased $6.3 million over 2010. Sales and merchandising revenues increased $172.9 million and is the result of a 41% increase in the average price per gallon of ethanol sold, as volume was relatively unchanged year over year. Gross profit increased $0.2 million due to an increase in services provided to the ethanol industry.

Interest expense decreased $0.6 million from 2010 due to lower borrowings outstanding. Equity in earnings of affiliates increased $7.4 million over 2010 and represents higher earnings from the investment in three ethanol LLCs. There were no significant changes in operating expenses or other income.

***Plant Nutrient Group***

| (in thousands) | Year ended December 31, 2011 | 2010 |
|---|---|---|
| Sales and merchandising revenues | **$ 690,631** | $ 619,330 |
| Cost of sales and merchandising revenues | **593,437** | 539,793 |
| Gross profit | **97,194** | 79,537 |
| Operating, administrative and general expenses | **56,101** | 46,880 |
| Interest expense | **3,517** | 3,901 |
| Equity in (loss) earnings of affiliates | **(13)** | 8 |
| Other income, net | **704** | 1,298 |
| Operating income | **$ 38,267** | $ 30,062 |

Operating results for the Plant Nutrient Group increased $8.2 million over its 2010 results. Sales were $71.3 million higher due to a 30.8% increase in average price per ton sold for the year offset by a 14.7% decrease in volume. Volume was below last year due to extremely wet weather conditions throughout the spring and fall of 2011 which reduced the ability to apply nutrients during this time and a strong fourth quarter of 2010 where significant tonnage was sold and applied earlier than most years. Gross profit increased $17.7 million over prior year as a result of the impact of price escalation experienced the majority of the year, offset by a $3.1 million lower-of-cost-or-market inventory adjustment taken in the fourth quarter of 2011.

Operating expenses increased $9.2 million and includes asset impairment charges in the amount of $1.7 million. The remaining increase in operating expenses relates to higher labor, benefits and performance incentives. There were no significant changes in interest expense, equity in earnings of affiliates, or other income.

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***Rail Group***

| (in thousands) | Year ended December 31, 2011 | 2010 |
|---|---|---|
| Sales and merchandising revenues | **$ 107,459** | $ 94,816 |
| Cost of sales and merchandising revenues | **82,709** | 81,437 |
| Gross profit | **24,750** | 13,379 |
| Operating, administrative and general expenses | **12,161** | 12,846 |
| Interest expense | **5,677** | 4,928 |
| Other income, net | **2,866** | 4,502 |
| Operating income | **$ 9,778** | $ 107 |

Operating results for the Rail Group increased $9.7 million over 2010. Revenues related to car sales, repairs and fabrication increased $4.9 million and leasing revenues increased $7.7 million for a total increase in sales and merchandising revenues of $12.6 million. Gross profit for Rail increased $11.4 million in total and includes gains on sales of railcars and related leases of $8.4 million. Gross profit from the leasing business was $4.0 higher than the prior year due to higher utilization and average lease rates.

Operating expenses decreased by $0.7 million from prior year due to lower bad debt expense along with a decrease in various other expense categories. Interest expense increased $0.7 million due to increased working capital use for railcar purchases. Other income was higher in 2010 primarily due to settlements received from customers for railcars returned at the end of a lease that were not in the required operating condition, as well as gains from the sale of certain assets.

***Turf & Specialty Group***

| (in thousands) | Year ended December 31, 2011 | 2010 |
|---|---|---|
| Sales and merchandising revenues | **$ 129,716** | $ 123,549 |
| Cost of sales and merchandising revenues | **103,481** | 96,612 |
| Gross profit | **26,235** | 26,937 |
| Operating, administrative and general expenses | **23,734** | 23,225 |
| Interest expense | **1,381** | 1,604 |
| Other income, net | **880** | 1,335 |
| Operating income | **$ 2,000** | $ 3,443 |

Operating results for the Turf & Specialty Group decreased $1.4 million from its 2010 results. Sales increased $6.2 million. Sales in the lawn fertilizer business increased $5.2 million due to a 5% increase in the average price per ton sold. Sales in the cob business increased $1.0 million as the average price per ton sold was up nearly 7%. Gross profit for Turf & Specialty decreased $0.7 million primarily due to a 7.8% increase in the average cost per ton due to higher raw material costs.

Operating expenses increased $0.5 million over the prior year due to a variety of variable expenses. There were no significant fluctuations in interest expense or other income.

***Retail Group***

| (in thousands) | Year ended December 31, 2011 | 2010 |
|---|---|---|
| Sales and merchandising revenues | **$ 157,621** | $ 150,644 |
| Cost of sales and merchandising revenues | **111,583** | 107,308 |
| Gross profit | **46,038** | 43,336 |
| Operating, administrative and general expenses | **47,297** | 45,439 |
| Interest expense | **899** | 1,039 |
| Other income, net | **638** | 608 |
| Operating loss | **$ (1,520)** | $ (2,534) |

Operating results for the Retail Group improved $1.0 million over its 2010 results. Sales increased $7.0 million over 2010. While the average sale per customer increased by 6.5%, customer counts decreased by almost 2%. Gross profit increased $2.7 million due to the increased sales as well as a slight increase in gross margin percentage.

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Operating expenses for Retail increased $1.9 million mainly due to higher labor, benefits and performance incentives due to overall company performance. There were no significant changes in interest expense or other income.

***Other***

| (in thousands) | Year ended December 31, 2011 | 2010 |
|---|---|---|
| Sales and merchandising revenues | **$** | $ |
| Cost of sales and merchandising revenues | | |
| Gross profit | | |
| Operating, administrative and general expenses | **13,754** | 9,639 |
| Interest expense | **(543)** | 78 |
| Equity in earnings of affiliates | | |
| Other income, net | **213** | 1,176 |
| Operating loss | **$ (12,998)** | $ (8,541) |

The Corporate operating loss (costs not allocated back to the business units) increased $4.5 million over 2010 and relates primarily to an increase in performance incentives due to favorable operating performance and an increase in charitable contributions.

As a result of the operating performances noted above, income attributable to The Andersons, Inc. of $95.1 million for 2011 was 47% higher than the income attributable to The Andersons, Inc. of $64.7 million in 2010. Income tax expense of $51.1 million was provided at 34.5%. In 2010, income tax expense of $39.3 million was provided at 37.7%. The higher effective tax rate for 2010 was due primarily to the impact of Federal legislation on Medicare Part D. The 2011 effective tax rate also benefited from the permanent tax deduction related to domestic production activities.

**Comparison of 2010 with 2009**

***Grain Group***

| (in thousands) | Year ended December 31, 2010 | 2009 |
|---|---|---|
| Sales and merchandising revenues | $ 1,936,813 | $ 1,734,574 |
| Cost of sales and merchandising revenues | 1,833,097 | 1,641,567 |
| Gross profit | 103,716 | 93,007 |
| Operating, administrative and general expenses | 50,861 | 58,341 |
| Interest expense | 6,686 | 8,735 |
| Equity in earnings of affiliates | 15,648 | 5,816 |
| Other income, net | 2,557 | 2,030 |
| Operating income before noncontrolling interest | $ 64,374 | $ 33,777 |

Operating results for Grain increased $30.6 million over 2009. Sales of grain increased $174 million, or 10.5%, over 2009 and is the result of an 11% increase in volume.

Gross profit increased $10.7 million, or 12%, for Grain. Basis income was higher than 2009 by $18.6 million due to earlier than normal 2010 harvest causing significant basis appreciation. Position income increased by $7.9 million from 2009 to 2010 primarily as a result of the growth of the ingredient trading area. The harvest occurred earlier in 2010 than 2009 and grain was drier which resulted in $11.5 million less service fees than prior year from drying and mixing services (when wet grain is received into the elevator and dried to an acceptable moisture level). In

addition, the market value adjustment for customer credit exposure was $4.6 million higher for 2010 due to higher grain prices.

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Operating expenses decreased $7.5 million, or 13%, from 2009. Bad debt expense decreased approximately $14.6 million due to reductions in amounts reserved for customer receivables and the net reversal of $6.7 million of reserves following the settlement of a long standing collection matter. Approximately $2.7 million of the decrease in operating expenses is the result of a decline in utilities expense due to the early and dry harvest in comparison with 2009. These expense decreases were partially offset by increases in labor, benefits, and depreciation and amortization expenses due to the acquisition of O Malley Grain during the second quarter of 2010. Performance incentives expense was also up year-over-year due to higher overall earnings.

Interest expense decreased $2.0 million, or 23%, from 2009 due to lower rates on outstanding borrowings.

Equity in earnings of affiliates increased $9.8 million over 2009 and relates to income from the investment in LTG.

***Ethanol Group***

| (in thousands) | Year ended December 31, 2010 | 2009 |
|---|---|---|
| Sales and merchandising revenues | $ 468,639 | $ 419,404 |
| Cost of sales and merchandising revenues | 453,865 | 405,607 |
| Gross profit | 14,774 | 13,797 |
| Operating, administrative and general expenses | 6,440 | 6,302 |
| Interest expense | 1,629 | 628 |
| Equity in earnings of affiliates | 10,351 | 11,636 |
| Other income, net | 176 | 289 |
| Income before income taxes | 17,232 | 18,792 |
| Income attributable to noncontrolling interest | 219 | 1,215 |
| Operating income | $ 17,013 | $ 17,577 |

Operating results for Ethanol decreased $0.6 million from 2009. Total sales and merchandising revenues increased $49.2 million over 2009. Sales of ethanol increased as a result of an increase in the overall volume by 7 million gallons and a 16.5% increase in the average price per gallon sold. Fees for services provided to the ethanol industry increased $0.4 million. Gross profit increased $1.0 million over 2009 and relates to an increase in ethanol service fee income.

There were no significant changes in operating expenses or other income from 2009 to 2010. Interest expense increased $1.0 million over 2009 due to an increase in short-term borrowings.

Equity in earnings of affiliates relates to the investment in the three ethanol LLCs. Earnings decreased $1.3 million, or 11%, from 2009 primarily as a result of rising corn prices.

***Plant Nutrient Group***

| (in thousands) | Year ended December 31, 2010 | 2009 |
|---|---|---|
| Sales and merchandising revenues | $ 619,330 | $ 491,293 |
| Cost of sales and merchandising revenues | 539,793 | 431,874 |
| Gross profit | 79,537 | 59,419 |
| Operating, administrative and general expenses | 46,880 | 45,955 |
| Interest expense | 3,901 | 3,933 |
| Equity in earnings of affiliates | 8 | 8 |

| | | |
|---|---|---|
| Other income, net | 1,298 | 1,755 |
| Operating income | $ 30,062 | $ 11,294 |

Operating results for the Plant Nutrient Group increased $18.8 million over its 2009 results. Sales increased $128 million, or 26%, over 2009 due to an increase in tons sold by 31% offset by a 3% decrease in average price per ton sold for the year.

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Volume increased almost twenty percent in the fourth quarter alone due to excellent fall application conditions and the continued restocking of the retail fertilizer pipeline. The overall margin per ton was approximately 6% higher than prior year.

Operating expenses increased $1.0 million over prior year due to incremental expenses relating to an August 2009 acquisition.

***Rail Group***

| (in thousands) | Year ended December 31, 2010 | 2009 |
|---|---|---|
| Sales and merchandising revenues | $ 94,816 | $ 92,789 |
| Cost of sales and merchandising revenues | 81,437 | 75,973 |
| Gross profit | 13,379 | 16,816 |
| Operating, administrative and general expenses | 12,846 | 13,867 |
| Interest expense | 4,928 | 4,468 |
| Other income, net | 4,502 | 485 |
| Operating income (loss) | $ 107 | $ (1,034) |

Operating results for the Rail Group increased $1.1 million over 2009. Sales of railcars increased $12.6 million, which includes $4.3 million related to intentional scrapping of railcars, nearly offset by leasing revenues which decreased $12.5 million. Sales relating to the repair and fabrication businesses increased $1.9 million. Gross profit for the Group decreased $3.4 million, or 20%, and is the result of more idle cars and increased storage costs during the first half of 2010 coupled with increased freight and maintenance costs, as cars were repaired and moved into service during the second half of 2010. Storage expenses for the Group increased $1.1 million in 2010 compared to 2009.

Other income increased by $4.0 million over 2009 primarily due to $2.2 million in settlements received from customers for railcars returned at the end of a lease that were not in the required operating condition. These settlements may be negotiated in lieu of a customer performing the required repairs. In addition, IANR dividends began accruing in May 2010 and amounted to approximately $1.1 million at year end.

***Turf & Specialty Group***

| (in thousands) | Year ended December 31, 2010 | 2009 |
|---|---|---|
| Sales and merchandising revenues | $ 123,549 | $ 125,306 |
| Cost of sales and merchandising revenues | 96,612 | 99,849 |
| Gross profit | 26,937 | 25,457 |
| Operating, administrative and general expenses | 23,225 | 20,424 |
| Interest expense | 1,604 | 1,429 |
| Other income, net | 1,335 | 1,131 |
| Operating income | $ 3,443 | $ 4,735 |

Operating results for the Turf & Specialty Group decreased $1.3 million from its 2009 results. Sales decreased $1.8 million, or 1%. Sales in the lawn fertilizer business decreased $5.6 million, or 5%, due to a 3% decrease in volume along with a 2% decrease in average price per ton sold. Sales in the cob business increased $3.7 million, or 24% as tonnage sold was up 24% over 2009. Gross profit for the Group increased $1.5 million, or 6% due to an overall increase in volume and margin.

Operating expenses for the Group increased $2.8 million, or 14%, from 2009, and is primarily related to the 2009 recognition of a pension curtailment gain that was not repeated in 2010 and more maintenance projects in 2010.

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***Retail Group***

| (in thousands) | Year ended December 31, 2010 | 2009 |
|---|---|---|
| Sales and merchandising revenues | $ 150,644 | $ 161,938 |
| Cost of sales and merchandising revenues | 107,308 | 114,928 |
| Gross profit | 43,336 | 47,010 |
| Operating, administrative and general expenses | 45,439 | 49,575 |
| Interest expense | 1,039 | 961 |
| Other income, net | 608 | 683 |
| Operating loss | $ (2,534) | $ (2,843) |

Operating results for the Retail Group increased $0.3 million over its 2009 results. Sales decreased $11.4 million, or 7%, from 2009 and were experienced in all of the Group s market areas, but the majority was due to the Lima store closing in late 2009. Customer counts decreased 3% and the average sale per customer decreased by nearly 5%. Gross profit decreased $3.7 million, or 8%, due to the decreased sales as well as a slight decrease in gross margin percentage.

Operating expenses for the Group decreased $4.1 million, or 8%. As noted above, the Lima, Ohio store was closed in the fourth quarter of 2009 which contributed to the decrease in both sales and expenses year-over-year.

***Other***

| (in thousands) | Year ended December 31, 2010 | 2009 |
|---|---|---|
| Sales and merchandising revenues | $ | $ |
| Cost of sales and merchandising revenues | | |
| Gross profit | | |
| Operating, administrative and general expenses | 9,639 | 4,652 |
| Interest expense | 78 | 534 |
| Equity in earnings of affiliates | | 3 |
| Other income, net | 1,176 | 1,958 |
| Operating loss | $ (8,541) | $ (3,225) |

The Corporate operating loss (costs not allocated back to the business units) increased $5.3 million, or 165%, over 2009 and relates primarily to an increase in performance incentives due to favorable operating performance, an increase in charitable contributions, and increased expenses for the Company s deferred compensation plan.

As a result of the operating performances noted above, income attributable to The Andersons, Inc. of $64.7 million for 2010 was 69% higher than the income attributable to The Andersons, Inc. of $38.4 million in 2009. Income tax expense of $39.3 million was recorded in 2010 at an effective rate of 37.7% which is an increase from the 2009 effective rate of 35.7% due primarily to the impact of Federal legislation on Medicare Part D.

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**Liquidity and Capital Resources**

Working Capital

At December 31, 2011, the Company had working capital of $313.0 million, an increase of $11.2 million from the prior year. This increase was attributable to changes in the following components of current assets and current liabilities:

| (in thousands) | 2011 | 2010 | Variance |
|---|---|---|---|
| **Current assets:** | | | |
| Cash and cash equivalents | **$ 20,390** | $ 29,219 | $ (8,829) |
| Restricted cash | **18,651** | 12,134 | 6,517 |
| Accounts receivable, net | **167,640** | 152,227 | 15,413 |
| Inventories | **760,459** | 647,189 | 113,270 |
| Commodity derivative assets current | **83,950** | 246,475 | (162,525) |
| Deferred income taxes | **21,483** | 16,813 | 4,670 |
| Other current assets | **34,649** | 34,501 | 148 |
| Total current assets | **1,107,222** | 1,138,558 | (31,336) |
| **Current liabilities:** | | | |
| Borrowing under short-term line of credit | **$ 71,500** | $ 241,100 | $ (169,600) |
| Accounts payable for grain | **391,905** | 274,596 | 117,309 |
| Other accounts payable | **142,762** | 111,501 | 31,261 |
| Customer prepayments and deferred revenue | **79,557** | 78,550 | 1,007 |
| Commodity derivative liabilities current | **15,874** | 57,621 | (41,747) |
| Other current liabilities | **60,445** | 48,851 | 11,594 |
| Current maturities of long-term debt | **32,208** | 24,524 | 7,684 |
| Total current liabilities | **794,251** | 836,743 | (42,492) |
| **Working capital** | **$ 312,971** | $ 301,815 | $ 11,156 |

In comparison to the prior year-end, current assets decreased largely as a result of lower commodity derivative assets driven by falling commodity prices in the second half of 2011. This decrease was partially offset by higher inventories for the Grain and Plant Nutrient businesses. Grain inventories are up $76.4 million over prior year due to owning the majority of the wheat in our facilities rather than storing it for others as in the prior year along with an increase in ownership bushels in beans. Plant Nutrient inventories are up $28.5 million over prior year due to higher volumes and cost of raw materials. Trade receivables fluctuate with timing of sales along with variations in prices of commodities. The increase in accounts receivable is consistent with the increase in sales and merchandising revenues. Restricted cash increased due to a new industrial development revenue bond. See the discussion below on sources and uses of cash for an understanding of the decrease in cash from prior year. Current liabilities decreased primarily as a result of lower borrowings on our short-term line of credit used to fund other components of working capital. Commodity derivative liabilities also decreased due to falling commodity prices in the second half of 2011. These decreases were partially offset by a large increase in accounts payable for grain attributed to higher hold pay for corn (grain we have purchased but not yet paid for) and the increase in other accounts payable which is consistent with the increase in cost of sales and merchandising revenues. Other current liabilities increased primarily due to the increase in performance incentive accruals.

Borrowings and Credit Facilities

On December 5, 2011, the Company entered into a restated loan agreement ( the agreement ) with several financial institutions, including U.S. Bank National Association, acting as agent. The agreement provides the Company with $735 million ( Line A) of short-term borrowing capacity and $115 million ( Line B ) of long-term borrowing capacity. The Company plans to use the lines to fund components of working capital and margin call requirements, as necessary, if commodity prices increase into 2012. Total borrowing capacity for the Company under Lines A and B is currently at $743.4 million.

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Sources and Uses of Cash

*Operating Activities and Liquidity*

The Company s operations provided cash of $290.3 million in 2011, an increase of $529.6 million from cash used in operations of $239.3 million in 2010. The significant amount of operating cash flows in 2011 relates primarily to the changes in working capital (before short-term borrowings) discussed above along with higher earnings.

In 2011, the Company paid income taxes of $48.9 million compared to $24.8 million in 2010. The Company makes quarterly estimated tax payments based on full-year estimated income. The significant increase in income taxes paid from 2010 to 2011 is primarily due to the increase in pre-tax book income and making payments of 2010 taxes with tax return extension requests filed in 2011.

*Investing Activities*

Investing activities used $86.0 million, which is $3.0 million less than the amount used in 2010. The largest portion of the spending relates to capital spending and purchases of railcars in the amount of $44.2 million and $64.2 million, respectively. Purchases of railcars were partially offset by proceeds from the sale of railcars in the amount of $30.4 million. Capital spending for 2011 on property, plant and equipment includes: Grain $24.3 million; Plant Nutrient $13.3 million; Rail $1.5 million; Turf & Specialty $2.1 million; Retail $1.2 million and $1.8 million in corporate purchases.

The Company spent more on business acquisitions in previous years than in 2011. On October 31, 2011, the Company completed the purchase of Immokalee Farmers Supply, Inc., which serves the specialty vegetable producers in Southwest Florida, for a purchase price of $3.0 million. $2.4 million in cash was paid at closing with the remaining portion of the purchase price accrued as it is contingent upon future performance. On May 1, 2010, the Company acquired two grain cleaning and storage facilities from O Malley Grain, Inc. for a purchase price of $7.8 million. On December 31, 2010, the Company completed the purchase of grain storage facilities in Nebraska from B4 Grain, Inc. with a cash payment of $31.5 million.

On May 25, 2010, the Company paid $13.1 million to acquire 100% of newly issued cumulative convertible preferred shares of IANR and Zephyr. As a result of this investment, the Company has a 49.9% voting interest in IANR, with dividends accruing at a rate of 14% annually. The Company recorded dividend income of $1.7 million and $1.1 million as of December 31, 2011 and December 31, 2010, respectively.

The Company expects to spend approximately $123 million in 2012 on conventional property, plant and equipment, which includes amounts for an acquisition that occurred subsequent to year end but prior to the filing of this Form 10-K. On January 31, 2012, the Company purchased New Eezy Gro, Inc. for a purchase price of $15.5 million plus working capital in the amount of $1.4 million. An additional $90.0 million is estimated to be spent on the purchase and capitalized modifications of railcars with related sales or financings of $96.4 million. Included in the above number is estimated 2012 spending for a project to replace current technology with an enterprise resource planning system to begin in 2012.

*Financing Arrangements*

Net cash used in financing activities was $213.1 million in 2011, compared to $211.6 million cash provided by financing activities in 2010. A combination of reduced borrowings due to a drop in commodity prices, increasing earnings and working capital, and lower capital spending than originally planned resulted in pay down of a significant amount of long-term debt in the second half of the year. Payments of long-term debt totaled $104.0 million for 2011.

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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. As noted above, the Company is party to a borrowing arrangement with a syndicate of banks, which was amended in December 2011, to provide the Company with $735 million in short-term lines of credit. The Company had drawn $71.5 million on its short-term line of credit at December 31, 2011 compared to $241.1 million at December 31, 2010. Peak borrowing on the line of credit during 2011 and 2010 were $601.5 million and $305.0 million, respectively. 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.

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 su