ANDERSONS INC
Form 10-K
March 01, 2011

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2010

Commission file number 000-20557
THE ANDERSONS, INC.
(Exact name of registrant as specified in its charter)

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

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 o No þ

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 þ No o

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. o

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

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

The aggregate market value of the registrant s voting stock which may be voted by persons other than affiliates of the registrant was $554.1 million on June 30, 2010, 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, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on May 6, 2011, are incorporated by reference into Part III (Items 10, 11, 12 and 14) of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Commission on or about March 13, 2011.

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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 in 16 U.S. States and Puerto Rico, plus railcar leasing interests in Canada and Mexico.

The Company has experienced significant growth during the year. The Company acquired two grain cleaning and storage facilities from O Malley Grain, Inc. (O Malley) for a purchase price of $7.8 million. O Malley is a supplier of consistent, high quality food-grade corn to the snack food and tortilla industries with facilities in Nebraska and Illinois. In addition, the Company purchased two grain storage facilities in Kearney and Riverdale, Nebraska, and took over a third leased facility in Paxton, Nebraska from B4 Grain, Inc. for a purchase price of $35.1 million. B4 Grain buys and sells corn, soybeans and wheat. These acquisitions expanded the Company s footprint another step westward and contributed to the increase in total storage capacity to about 107 million bushels from 101 million bushels.

In addition, the Company invested $12.6 million for a 49.9% equity stake in Iowa Northern Railway Company (IANR) and $0.5 million for a 49.9% equity stake in an affiliate, Zephyr Holding Company (Zephyr). IANR operates a 163-mile short line railroad that runs diagonally through Iowa from northwest to southeast. With a fleet of 21 locomotives and 500 railcars, IANR primarily serves agribusiness customers and moves more than 50,000 car loads per year. Zephyr is involved in the development of storage and logistics terminals designed to aid the transloading of various products including ethanol and wind turbine components.

Segment Descriptions

The Company s operations are classified into five 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 16 to the consolidated financial statements in Item 8 for information regarding business segments.

Grain & Ethanol Group

The Grain & Ethanol Group provides merchandising and services to the grain industry primarily in the U.S. Corn Belt. It also is an investor in and operator of three ethanol facilities.

Grain The Grain Division operates grain terminals in Ohio, Michigan, Indiana, Illinois, and Nebraska with storage capacity of approximately 107 million bushels at December 31, 2010. The division sold more than 353 million bushels in the U.S. and Canada during the year. Income is earned on grain bought and sold or put thru the elevator, grain that is purchased and conditioned for resale, grain held to earn market value appreciation until sold and grain stored for others upon which storage fees are earned. The Grain Division also offers a number of unique grain marketing, origination and risk management services to its customers for which it collects fees.

The Chicago Mercantile Exchange (CME) implemented a new methodology for calculating wheat storage rates. Storage rates are no longer static but now vary with the storage rate dependent upon the price spread relationship between the various trading months. The new variable storage rates were implemented by the CME and provided a significant source of income in 2010.

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. This lease covers 8.3%, or approximately 8.9 million bushels, of the Company s total storage space. Grain sales to Cargill totaled $269 million in 2010, and include grain covered by the Agreement as well as grain sold to Cargill via normal forward sales from locations not covered by the Agreement.

The principal grains sold by the Company are yellow corn, yellow soybeans and soft red and white wheat. Approximately 85% of the grain bushels sold by the Company in 2010 were purchased by U.S. grain processors and feeders, and approximately 15% 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. Almost all grain shipments 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. Grain sales are made on a negotiated basis by the Company s merchandising staff, except for grain sales subject to the Agreement with Cargill which are made on a negotiated basis with Cargill s merchandising staff.

The Company s grain operations rely on forward purchase contracts with producers, dealers and country 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 CME. Bushels contracted for future delivery at January 31, 2011 approximated 248.1 million.

The Company competes in the sale of grain with other grain merchants, other elevator operators and farmer cooperatives that operate elevator facilities. 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. A significant portion of grain bushels purchased and sold are done so using forward contracts.

The grain business has a seasonal component in that a large portion of the principal grains are harvested and delivered in July, October and November although the balance of the principal grains continue to be delivered to The Andersons all year long.

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. Profitability is primarily derived from margins on grain sold, and revenues generated from other merchandising activities with its customers (including storage and service income), not from futures and options transactions. 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, mandatory review of positions by key management outside of the trading function on a biweekly basis, daily position limits, daily review and reconciliation and 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

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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.

Ethanol The Ethanol Division operates three ethanol plants for Limited Liability Companies (LLCs) in Indiana, Michigan, and Ohio that are collectively capable of producing 275 million gallons of ethanol. The division offers facility operations, risk management, corn origination, ethanol and distiller dried grains marketing 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 50.01% 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 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 Company runs the day-to-day operations of the plants and provides all administrative functions. The Company is separately compensated for these services. In addition to the management agreements, the Company also has entered into ethanol and distillers dried grains (DDG) marketing agreements in which the Company markets the ethanol and DDG produced to external customers. As compensation for these services, the Company receives a fee based on each gallon of ethanol and each ton of DDG sold. Finally, the Company has entered into corn origination agreements with each of the LLCs under which the Company originates 100% of the corn used in the production of ethanol. For this service, the Company also receives a unit based fee.

Lansing The Company also owns 52% of the equity in Lansing Trade Group LLC (LTG). LTG is an established grain merchandising business which continues to increase its trading capabilities, including ethanol trading and is exposed to the some of the same risks as the Company s grain and ethanol businesses. LTG also trades in other commodities that the Company s grain and ethanol business does not trade in, some of which are not exchange traded. In addition, they have a separate proprietary trading business. This investment provides the Company with further opportunity to expand outside of its traditional geographic regions. This investment is accounted for under the equity method.

Sales of grain and related service and merchandising revenues totaled $1,937.7 million, $1,734.6 million and $1,944.8 million for the years ended December 31, 2010, 2009 and 2008. Sales of ethanol and related service revenue totaled $467.8 million, $419.4 million and $466.3 million in 2010, 2009 and 2008.

The Company intends to further expand its trading and direct ship operations, increase its service offerings to the ethanol industry and grow its traditional grain business through business acquisitions. The Company may make additional investments in the ethanol and other grain processing industries through joint venture agreements and by providing origination, management, logistics, merchandising and other services.

Rail Group

The Company s Rail Group ranks eighth in fleet size among privately-owned fleets in the U.S. This group repairs, sells, manages, and leases a fleet of almost 23,000 railcars of various types. There are eight railcar repair facilities across the country. It also offers fleet management services to private railcar owners and operates a custom steel fabrication business. The Rail Group is also an investor in the short-line railroad, IANR.

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The Company has a diversified fleet of car types (boxcars, gondolas, covered and open top hoppers, tank cars and pressure differential cars) and locomotives serving a broad customer base. The Company 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 and industries. 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 our 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). 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, 2010.

In the case of our off-balance sheet railcars, 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 try 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 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, 2010, 2009 and 2008, lease revenues and railcar sales in the Company s railcar marketing business were $82.6 million, $82.5 million and $117.2 million, respectively. Sales in the railcar repair and fabrication shops were $12.2 million, $10.3 million and $16.7 million for 2010, 2009 and 2008, respectively.

Plant Nutrient Group

The Company s Plant Nutrient Group is a leading manufacturer and distributor of agricultural plant nutrients in the U.S. Corn Belt and Florida. It operates 30 facilities in Ohio, Michigan, Indiana, Illinois, Florida, Wisconsin, Minnesota and Puerto Rico.

<u>Wholesale</u> The Wholesale business manufactures, stores, and distributes about 2 million tons of dry and liquid agricultural nutrients, and pelleted lime and gypsum products primarily to agricultural farm supply dealers. The Group purchases basic nitrogen, phosphate, potassium and sulfur materials for resale and uses some of these same materials in its manufactured nutrient products.

<u>Farm Centers</u> 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.

<u>Industrial Products</u> The Plant Nutrient Group also manufactures and distributes a variety of industrial products throughout the U.S. and Puerto Rico including nitrogen reagents for air pollution control systems

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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.

Storage capacity at the Company s wholesale and farm center facilities was approximately 15.2 million cubic feet for dry nutrients and approximately 69.9 million gallons for liquid nutrients at December 31, 2010. The Company reserves 7.9 million cubic feet of its dry storage capacity and 24.5 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 basic 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, 2010, 2009 and 2008, sales and service revenues in the wholesale business totaled $509.8 million, $381.1 million and $547.8 million, respectively. Sales of crop production inputs and service revenues in the farm center business totaled $109.5 million, 110.2 million and $104.7 million in 2010, 2009 and 2008, 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.

The Company intends to focus on leveraging its position in the golf fertilizer market and its research and development capabilities to develop higher value, proprietary products.

For the years ended December 31, 2010, 2009 and 2008, sales of granular plant fertilizer and control products totaled $104.0 million, $109.5 million and $103.1 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

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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, 2010, 2009 and 2008, sales of corncob and related products totaled $19.6 million, $15.8 million and $15.8 million, respectively.

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 carries more than 80,000 different items, 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 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 Christmas season. The Company also operates a sales and service facility for outdoor power equipment near one of its retail stores.

For the years ended December 31, 2010, 2009 and 2008, sales of retail merchandise including commissions on third party sales totaled $150.6 million, $161.9 million and $173.1 million respectively.

The Company intends to continue to refine its *More for Your Home®* concept and focus on expense control and customer service.

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, 2010 the Company had 1,614 full-time and 1,329 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 materially affected by United States government programs, which include acreage control and price support programs of the USDA. For our investments in ethanol production facilities, the U.S. Government provides incentives to the ethanol blender, has mandated certain volumes of ethanol be produced and has imposed tariffs on ethanol imported from other countries. 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.

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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. 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 $1.9 million, $1.8 million and $4.1 million in both capital and expense in order to comply with these regulations in 2010, 2009 and 2008, 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 Groups buy, sell and hold inventories of various commodities, some of which are readily traded on commodity futures exchanges. In addition, our Turf & Specialty Group uses some of these same fertilizer commodities as base raw materials in manufacturing golf course and landscape fertilizer. 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 Groups, 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, including DDG, is corn. As a result, changes in the price of corn can significantly affect our business. In general, rising corn prices will produce lower profit margins for our ethanol business. Because ethanol competes with non-corn-based fuels, we generally will be unable to pass along increased corn costs to our customers. 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, farmer planting decisions and general economic, market 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 LLC 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 our ethanol operations until corn is available on economical terms, which would have a material adverse effect on our 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 the changes associated with 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 pricing component of our grain inventory and contracts. (Basis is defined as the difference between the cash price of a commodity in our facility and the nearest 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 unfavorable basis moves on a grain position as large as ours can significantly impact the profitability of the Grain & Ethanol Group and our business as a whole.

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

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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.

Natural Gas We rely on third parties for our supply of natural gas, which is consumed in the manufacturing of ethanol, dry wet grain, and plant nutrients. The prices for and availability of natural gas are subject to volatile 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 our ability to manufacture ethanol for our customers. Furthermore, increases in natural gas prices or changes in our natural gas costs relative to natural gas costs paid by competitors may adversely affect our 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 oil derived 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 decreases.

Potash, phosphate and nitrogen Raw materials used by our Plant Nutrient Group include potash, phosphate and nitrogen, for which prices are volatile and driven by global and local supply and demand. 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 & Ethanol In our Grain & Ethanol Group, 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 and excise tax credits paid to those blenders to encourage the use of ethanol. Future changes in those mandates and tax credits can have an impact on ethanol processing margins. Furthermore, there is a risk that if the CME repealed the variable storage rates in the wheat futures contracts, there could be a negative impact on liquidity.

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Rail- Our Rail Group 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 Group 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 Group and it can increase the Group s 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 an 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) and locomotives. 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 Group 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 & Ethanol Group, 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 Group, 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 Group, 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 Group, 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 accounting classification of operating leases, which would not only impact the way we account for 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 business uses 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 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 six limited liability companies. By operating a business through this arrangement, we have less control over operating decisions than if we were to own the business outright.

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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.

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 business 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 safety risks such as grain dust explosions, fires, malfunction of equipment, abnormal pressures, blowouts, pipeline 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. In addition, the Company is exploring new ERP systems, which could pose risks relating to implementation.

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Item 2. Properties

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

Agriculture Facilities

(in thousands) Location	Grain Storage (bushels)	Agricultural Fertilizer Dry Storage (cubic feet)	Agricultural Fertilizer Liquid Storage (gallons)
Florida		134	4,021
Illinois	17,497	2,233	
Indiana	24,489	4,207	22,364
Michigan	15,381	1,787	5,293
Minnesota			10,794
Nebraska	3,967		
Ohio	46,023	6,759	9,204
Puerto Rico			3,339
Wisconsin		57	14,932
	107,357	15,177	69,947

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 92% of the total storage capacity is owned, while the remaining 8% of the total capacity is leased from third parties.

The Plant Nutrient Group s wholesale fertilizer and farm center properties consist mainly of fertilizer warehouse and distribution facilities for dry and liquid fertilizers. The Maumee, Ohio; Champaign, Illinois; Seymour, Indiana; Lordstown, Ohio; and Walton, Indiana locations have fertilizer mixing, bagging and bag storage facilities. The Maumee, Ohio; Webberville, Michigan; Logansport, Walton and Poneto, Indiana; Wisconsin Rapids, Arena and Kaukauna, Wisconsin and all of the Florida locations also include liquid manufacturing facilities. The Company owns all dry storage facilities and owns ninety-five percent 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	159,000
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 $1.4 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 also operates railcar repair facilities in Maumee, Ohio; Darlington, South Carolina; Macon, Georgia; Valdosta, Georgia; Bay St. Louis, Mississippi; Ogden, Utah; North Las Vegas, Nevada; and Woodland, California, and a steel fabrication facility in Maumee, Ohio.

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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.

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 1,233 acres of land on which the above properties and facilities are located and approximately 327 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 its land in 1960. The Company has on several prior occasions cooperated with local, state and federal regulators to install or improve drainage systems to contain storm water runoff and sewer discharges along its riverfront property to minimize the potential for such leaching. Other area land owners and the successor to the original glass making operations have also been contacted by the U.S. EPA for information. No claim or finding has been asserted thus far.

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

Item 4. (Reserved)

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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, 2011) are presented in the table below.

Name	Position	Age	Year Assumed
Dennis J. Addis	President, Plant Nutrient Group	58	2000
Daniel T. Anderson	President, Retail Group and Vice President, Corporate Operations Services President, Retail Group	55	2009 1996
Michael J. Anderson	President and Chief Executive Officer	59	1999
Naran U. Burchinow	Vice President, General Counsel and Secretary	57	2005
Tamara S. Sparks	Vice President, Corporate Business /Financial Analysis Internal Audit Manager	42	2007 1999
Arthur D. DePompei	Vice President, Human Resources	57	2008
Richard R. George	Vice President, Controller and CIO	61	2002
Harold M. Reed	President, Grain & Ethanol Group	54	2000
Rasesh H. Shah	President, Rail Group	56	1999
Nicholas C. Conrad	Vice President, Finance and Treasurer Assistant Treasurer	58	2009 1996
Thomas L. Waggoner	President, Turf & Specialty Group Vice President, Sales & Marketing, Turf & Specialty Group	56	2005 2002

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, 2011, the closing price for the Company s Common Shares was $44.69 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 2010 and 2009.

	2010		2009	
	High	**Low**	**High**	**Low**
Quarter Ended				
March 31	$ 35.36	$ 24.59	$ 18.38	$ 11.00
June 30	37.99	29.90	31.88	13.24
September 30	40.16	31.28	36.82	26.48
December 31	42.44	32.01	37.56	24.00

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, 2011, there were approximately 18.5 million common shares outstanding, 1,312 shareholders of record and approximately 16,000 shareholders for whom security firms acted as nominees.

Dividends

The Company has declared and paid 57 consecutive quarterly dividends since the end of 1996, its first year of trading on the Nasdaq market. Dividends paid from January 2009 to January 2011 are as follows:

Dividend	Amount
01/23/09	$0.0850
04/22/09	$0.0875
07/22/09	$0.0875
10/22/09	$0.0875
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

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

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Equity Plans

The following table gives information as of December 31, 2010 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	1,039,552(1)	$ 32.18	526,708(2)
Equity compensation plans not approved by security holders			
Total	1,039,552	$ 32.18	526,708

(1) This number includes options and SOSARs (851,177), performance share units (123,748) and restricted shares (64,627) 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 306,674 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 approved the repurchase of 2.8 million shares of common stock for use in employee, officer and director stock purchase and stock compensation plans. This resolution was superseded by the Board in October 2007 to add an additional 0.3 million shares. Since the beginning of this repurchase program, the Company has purchased 2.2 million shares in the open market.

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

GATX Corp.

The graph assumes a $100 investment in The Andersons, Inc. Common Shares on December 31, 2005 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.

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	Base Period December 31, 2005	Cumulative Returns 2006	2007	2008	2009	2010
The Andersons, Inc.	$ 100.00	$ 197.68	$ 210.09	$ 78.16	$ 124.29	$ 176.88
NASDAQ U.S.	100.00	110.38	122.14	73.31	106.57	125.92
Peer Group Index	100.00	106.19	108.71	82.60	96.67	110.68

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, 2010 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.