UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report on

FORM 10-Q

(Mark one)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended December 31, 2007

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ______ to______

Commission File Number 1-7463

JACOBS ENGINEERING GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware	**95-4081636**

(State of incorporation)	**(I.R.S. employer identification number)**
1111 South Arroyo Parkway, Pasadena, California	**91105**
(Address of principal executive offices)	**(Zip code)**

(626) 578 3500

(Registrant s telephone number, including area code)

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: x Yes - ¨ No

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):

x Large accelerated filer - ¨ Accelerated filer - ¨ Non-accelerated filer

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

Number of shares of common stock outstanding at January 23, 2008: 121,343,394

JACOBS ENGINEERING GROUP INC.

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Part I - FINANCIAL INFORMATION

Item 1. Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share information)

	December 31, 2007 (Unaudited)	September 30, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 398,780	$ 613,352
Receivables	1,747,257	1,532,602
Deferred income taxes	93,287	92,992
Prepaid expenses and other	48,036	39,132
Total current assets	2,287,360	2,278,078
Property, Equipment and Improvements, Net	212,463	192,489
Other Non-current Assets:		
Goodwill	803,282	626,686
Miscellaneous	364,313	292,168
Total other non-current assets	1,167,595	918,854
	$ 3,667,418	$ 3,389,421
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Notes payable	$ 465	$ 529
Accounts payable	371,033	376,483
Accrued liabilities	673,889	626,091
Billings in excess of costs	270,552	245,486
Income taxes payable	50,243	27,845
Total current liabilities	1,366,182	1,276,434
Long-term Debt	36,523	40,450
Other Deferred Liabilities	273,875	228,824
Minority Interest	58	51
Commitments and Contingencies		
Stockholders Equity:		
Capital stock:		
Preferred stock, $1 par value, authorized - 1,000,000 shares; issued and outstanding - none		

Common stock, $1 par value, authorized - 240,000,000 shares; 121,231,873 shares issued and outstanding at December 31, 2007; 120,221,871 shares issued and outstanding at September 30, 2007	121,232	120,222
Additional paid-in capital	533,782	460,468
Retained earnings	1,340,418	1,272,352
Accumulated other comprehensive loss	(4,652)	(9,380)
Total stockholders equity	1,990,780	1,843,662
	$ 3,667,418	$ 3,389,421

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

For the Three Months Ended December 31, 2007 and 2006

(In thousands, except per share information)

(Unaudited)

	2007	**2006**
Revenues	$ 2,471,817	$ 2,018,508
Costs and Expenses:		
Direct cost of contracts	(2,083,847)	(1,747,058)
Selling, general and administrative expenses	(246,714)	(177,076)
Operating Profit	141,256	94,374
Other Income (Expense):		
Interest income	4,580	4,248
Interest expense	(1,301)	(1,594)
Miscellaneous income (expense), net	9,170	(1,305)
Total other income, net	12,449	1,349
Earnings Before Taxes	153,705	95,723
Income Tax Expense	(55,335)	(34,461)
Net Earnings	$ 98,370	$ 61,262
Net Earnings Per Share:		
Basic	$ 0.82	$ 0.52
Diluted	$ 0.79	$ 0.51

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended December 31, 2007 and 2006

(In thousands)

(Unaudited)

	2007	**2006**
Net Earnings	$ 98,370	$ 61,262
Other Comprehensive Loss:		
Foreign currency translation adjustment	4,888	3,984
Gain (loss) on cash flow hedges	(463)	1,733
Change in pension liability	287	(6,545)
Other comprehensive loss before taxes	4,712	(828)
Income tax benefit	16	367
Net other comprehensive income (loss)	4,728	(461)
Net Comprehensive Income	$ 103,098	$ 60,801

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended December 31, 2007 and 2006

(In thousands)

(Unaudited)

	2007	**2006**
Cash Flows from Operating Activities:		
Net earnings	$ 98,370	$ 61,262
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization:		
Property, equipment and improvements	14,350	10,885
Intangible assets	2,315	2,022
Gain on sale of investment	(10,609)	
Stock based compensation	4,734	5,097
Excess tax benefits from stock based compensation	(15,527)	(582)
Net losses on sales of other assets	22	50
Changes in certain assets and liabilities, excluding the effects of businesses acquired:		
Receivables	(89,580)	(21,932)
Prepaid expenses and other current assets	(748)	1,342
Accounts payable	(33,423)	(44,045)
Accrued liabilities	(48,913)	(7,413)
Billings in excess of costs	24,266	45,655
Income taxes payable	30,880	21,642
Deferred income taxes	1,112	(320)
Other, net	184	929
Net cash flows from operating activities	(22,567)	74,592
Cash Flows from Investing Activities:		
Additions to property and equipment	(18,346)	(14,990)
Disposals of property and equipment	65	336
Changes in investments, net	15,230	3,359
Acquisition of businesses, net of cash acquired	(199,850)	(23,951)
Changes in other non-current assets, net	437	(1,288)
Net cash flows from investing activities	(202,464)	(36,534)
Cash Flows from Financing Activities:		
Proceeds from long-term borrowings		26,681
Repayments of long-term borrowings	(3,994)	(10,076)
Net change in short-term borrowings	(6,457)	(14,474)
Proceeds from issuances of common stock	9,528	6,782
Excess tax benefits from stock based compensation	15,527	582
Changes in other deferred liabilities, net	(4,611)	4,128
Net cash flows from financing activities	9,993	13,623
Effect of Exchange Rate Changes	466	(1,235)
Net Increase (Decrease) in Cash and Cash Equivalents	(214,572)	50,446

Cash and Cash Equivalents at the Beginning of the Period	613,352	434,067
Cash and Cash Equivalents at the End of the Period	$ 398,780	$ 484,513

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

December 31, 2007

Basis of Presentation

Unless the context otherwise requires, references herein to Jacobs are to Jacobs Engineering Group Inc. and its predecessors, and references herein to the Company, we, us or our are to both Jacobs Engineering Group Inc. and its consolidated subsidiaries.

The accompanying consolidated financial statements and financial information included herein have been prepared pursuant to the interim period reporting requirements of Form 10-Q. Consequently, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. Readers of this report should also read our consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (2007 Form 10-K) as well as Item 7 *Management s Discussion and Analysis of Financial Condition and Results of Operations* also included in our 2007 Form 10-K.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of our consolidated financial statements at December 31, 2007 and for the three months ended December 31, 2007 and 2006.

Our interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year.

New Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken, or expected to be taken, on an entity s tax return. FIN 48 also provides guidance on derecognition; classification; interest and penalties; accounting in interim periods; disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006 and the Company adopted this interpretation October 1, 2007.

The adoption of FIN 48 did not have a material effect on the Company s financial statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

December 31, 2007

(continued)

Business Combination

During the quarter ended December 31, 2007, the Company completed the acquisition of Carter & Burgess, Inc. (Carter & Burgess) for a total purchase price of approximately $231.7 million. Headquartered in Fort Worth, Texas, Carter & Burgess is an approximately 3,200-person professional services firm providing architecture, engineering, design, and planning services to public and private sector clients operating in the fields of transportation, water, infrastructure programs, building programs, land development, and planning. The purchase price consisted of cash (approximately $195.8 million) and common stock of Jacobs (approximately $35.9 million), and the Company s consolidated results of operations presented herein include those of Carter & Burgess since the date of acquisition.

Carter & Burgess contributed approximately $84.4 million of revenues and approximately $1.7 million of operating profit during the quarter ended December 31, 2007. The acquisition of Carter & Burgess resulted in approximately $176.6 million in goodwill. The purchase price allocation is preliminary and the final purchase price will be determined pending the receipt of information necessary to complete the valuation of certain assets and liabilities, which may result in a change in the initial estimates.

Receivables

Included in Receivables in the accompanying consolidated balance sheets at December 31, 2007 and September 30, 2007 were $789.6 million and $790.5 million, respectively, of unbilled receivables. Unbilled receivables represent reimbursable costs and amounts earned under contracts in progress at the respective balance sheet dates. Such amounts become billable according to the contract terms, which usually consider the passage of time, achievement of certain milestones or completion of the project. Included in these unbilled receivables at December 31, 2007 and September 30, 2007 were contract retentions totaling $39.9 million and $37.1 million, respectively. Also included in receivables at December 31, 2007 and September 30, 2007 were allowances for doubtful accounts of $11.8 million and $6.2 million, respectively.

In accordance with industry practice, we include in receivables claims representing the recovery of costs incurred on contracts to the extent it is probable that such claims will result in additional contract revenue and the amount of such additional revenues can be reliably estimated. Such amounts totaled $55.8 million and $49.6 million at December 31, 2007 and September 30, 2007, respectively. Included in these amounts at December 31, 2007 and September 30, 2007 is approximately $38.1 million and $36.6 million, respectively, relating to one claim involving a waste incineration project performed in Europe. This matter is more fully described in Note 12 *Contractual Guarantees, Litigation, Investigations, and Insurance* of Notes to Consolidated Financial Statements on page F-24 of our 2007 Form 10-K. Due to the timing of when the claim may be settled, the receivable is included in Other Non-current Assets in the accompanying consolidated balance sheets. Although we have initiated litigation against the client and are seeking damages in excess of 40.0 million (approximately $58.5 million at December 31, 2007), there can be no certainty as to the ultimate outcome of our claim. The client has filed a counterclaim against us, which we believe is without merit.

Amounts due from the United States federal government totaled $212.8 million and $153.6 million at December 31, 2007 and September 30, 2007, respectively.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

December 31, 2007

(continued)

Property, Equipment and Improvements, Net

Property, Equipment and Improvements, Net in the accompanying consolidated balance sheets consisted of the following (in thousands):

	December 31, 2007	September 30, 2007
Land	$ 11,041	$ 9,581
Buildings	75,382	69,646
Equipment	370,636	351,173
Leasehold improvements	91,424	74,961
Construction in progress	13,715	11,400
	562,198	516,761
Accumulated depreciation and amortization	(349,735)	(324,272)
	$ 212,463	$ 192,489

Revenue Accounting for Contracts / Accounting for Joint Ventures

In accounting for long-term engineering and construction-type contracts, we follow the provisions of the AICPA s Statement of Position 81-1 *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (SOP 81-1). In general, we recognize revenues at the time we provide services. Depending on the commercial terms of the contract, we recognize revenues either when costs are incurred, or using the percentage-of-completion method of accounting by relating contract costs incurred to date to the total estimated costs at completion. Contract losses are provided for in their entirety in the period they become known, without regard to the percentage-of-completion. We recognize as revenues costs associated with claims and unapproved change orders to the extent it is probable that such claims and change orders will result in additional contract revenue, and the amount of such additional revenue can be reliably estimated.

The nature of our business occasionally results in clients, subcontractors and vendors presenting claims against us for recovery of costs they incurred in excess of what they expected to incur, or for which they believe they are not contractually responsible. Similarly, and in the normal course of business, we may present claims and change orders to our clients for costs we have incurred for which we believe we are not contractually responsible or for services provided that were either requested by the client or were otherwise required by the nature of the project. In those situations where a claim against us may result in additional costs to the contract, we include in the total estimated costs of the contract (and therefore, in the estimated amount of margin to be earned under the contract) an estimate, based on all relevant facts and circumstances available, of the additional costs to be incurred. In those situations where a claim we ve presented to the client may result in additional revenues, we include in revenues the amount of costs incurred, without profit, to the extent it is probable that the claim will result in additional revenue, and the amount of such additional revenue can be reliably estimated. Costs associated with unapproved change orders are included in revenues using substantially the same criteria used for claims.

Certain cost-reimbursable contracts with government customers as well as certain commercial clients provide that contract costs are subject to audit and adjustment. In this situation, revenues are recorded at the time services are performed based upon the amounts we expect to realize upon completion of the contracts. Revenues are not recognized for non-recoverable costs. In those situations where an audit indicates that we may have billed a client for costs not allowable under the terms of the contract, we estimate the amount of such nonbillable costs and adjust our revenues accordingly.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

December 31, 2007

(continued)

As is common with industry practice, we execute certain contracts jointly with third parties through various forms of joint ventures. In general, such contracts fall within the scope of SOP 81-1. We therefore account for these investments in accordance with SOP 81-1 and Emerging Issues Task Force Issue 00-01 *Investor Balance Sheet and Income Statement Display Under the Equity Method for Investments in Certain Partnerships and Other Ventures*. Accordingly, for certain of these joint ventures (i.e., where we have an undivided interest in the assets and liabilities of the joint venture), we recognize our proportionate share of joint venture revenues, costs and operating profit in our consolidated statements of earnings. For other investments in engineering and construction joint ventures, we use the equity method of accounting.

Very few of our joint ventures have employees. Although the joint ventures own and hold the contracts with the clients, the services required by the contracts are typically performed by us and our joint venture partners, or by other subcontractors under subcontracting agreements with the joint ventures. The assets of our joint ventures, therefore, consist almost entirely of cash and receivables (representing amounts due from the clients); and the liabilities of our joint ventures consist almost entirely of amounts due to the joint venture partners (for services provided by the partners to the joint ventures) and other subcontractors. In general, at any given time, the equity of our joint ventures represents the undistributed profits earned under the contracts with clients. None of our joint ventures have credit facilities that allow them to borrow money from banks in order to finance their operations. Our joint ventures, therefore, are simply mechanisms used to deliver engineering and construction services to clients. They generally do not, in and of themselves, present any additional risk of loss to us or to our partners. Under accounting principles generally accepted in the United States, our share of losses associated with the contracts held by the joint ventures, if and when they occur, are reflected in our consolidated financial statements.

In accordance with the provisions of FASB Interpretation No. 46R *Consolidation of Variable Interest Entities* (FIN 46R), we have analyzed our joint ventures and have classified them into two groups: those variable interest entities (VIEs) of which we are the primary beneficiary, and those VIEs of which we are not the primary beneficiary. In accordance with FIN 46R and our accounting practices discussed above, we apply the consolidation method of accounting for our investment in material VIEs where we are the primary beneficiary.

At December 31, 2007, the total assets and liabilities of those VIEs for which we are the primary beneficiary were $61.8 million and $48.3 million, respectively. At December 31, 2007, the total assets and liabilities of those VIEs for which we are not the primary beneficiary were $273.9 million and $259.4 million, respectively.

When we are directly responsible for subcontractor labor, or third-party materials and equipment (pass-through costs), we reflect the costs of such items in both revenues and costs. On other projects, where the client elects to pay for such items directly and we have no direct responsibility for such items, these amounts are not reflected in either revenues or costs. The amount of such pass-through costs included in revenues for the quarters ended December 31, 2007 and 2006 totaled $683.8 million and $701.3 million, respectively.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

December 31, 2007

(continued)

Disclosures About Pension Benefit Obligations

The components of net periodic benefit costs relating to our defined benefit pension plans are as follows (in thousands):

	Three Months Ended December 31	
	2007	2006
Service cost	$ 6,131	$ 6,376
Interest cost	12,740	10,964
Expected return on plan assets	(13,480)	(11,111)
Amortization of unrecognized items	437	1,891
Net periodic benefit cost	$ 5,828	$ 8,120

During the three months ended December 31, 2007, we made cash contributions of approximately $10.5 million to our plans, and we expect to make cash contributions of an additional $27.8 million during the remainder of fiscal 2008.

Earnings Per Share

The following table reconciles the denominator used to compute basic earnings per share to the denominator used to compute diluted earnings per share (EPS) (in thousands):

	Three Months Ended December 31	
	2007	2006
Weighted average shares outstanding (denominator used to compute basic EPS)	120,118	117,625
Effect of employee and outside director stock options	3,960	3,669
Denominator used to compute diluted EPS	124,078	121,294

For the quarters ended December 31, 2007 and December 31, 2006 we issued 689,470 and 117,409 shares of common stock, respectively, from the exercise of stock options and the release of restricted stock.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

December 31, 2007

(continued)

Accounting for and Disclosure of Guarantees, and Contingencies

As more fully described in the 2007 Form 10-K, we lease, under operating lease agreements, the majority of the offices and other facilities we use in our operations. Two such operating leases relate to two of our offices located in Houston, Texas, and contain end-of-term residual value guarantees totaling a maximum of approximately $74.1 million. One of the operating leases ends in 2011; the other, in 2015. We have determined that the aggregate fair value of the aforementioned financial guarantees is not significant at December 31, 2007.

On August 1, 2007 the I-35W bridge in Minneapolis, Minnesota suffered a tragic collapse. The bridge was designed and built in the early 1960 s. Sverdrup & Parcel and Associates, Inc. (Sverdrup & Parcel) provided design services to the Minnesota Department of Transportation (MnDOT) on the bridge. Sverdrup & Parcel was a predecessor company to Sverdrup Corporation, a company acquired by Jacobs in 1999. The National Transportation Safety Board (NTSB) recently released an Interim Report identifying certain elements of the design as a possible factor in the collapse. The Company is continuing its close cooperation with the NTSB and MnDOT in their investigation of the collapse. The Company does not expect this incident to have any material adverse effect on its consolidated financial statements.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

General

The purpose of this Management s Discussion and Analysis (MD&A) is to provide a narrative analysis explaining the reasons for material changes in the Company s (i) financial condition since the most recent fiscal year-end, and (ii) results of operations during the current fiscal year-to-date period and current fiscal quarter as compared to the corresponding periods of the preceding fiscal year. In order to better understand such changes, readers of this MD&A should also read:

The discussion of the critical and significant accounting policies used by the Company in preparing its consolidated financial statements (the most current discussion of our critical accounting policies appears on pages 30 through 33 of our 2007 Annual Report on Form 10-K (the 2007 Form 10-K), and the most current discussion of our significant accounting policies appears on pages F-7 through F-12 of our 2007 Form 10-K;

The Company s fiscal 2007 audited consolidated financial statements and notes thereto included in its 2007 Form 10-K (beginning on page F-1 thereto); and

Item 7 *Management s Discussion and Analysis of Financial Condition and Results of Operations* included in our 2007 Form 10-K (beginning on page 29 thereto).

In addition to historical information, this MD&A contains forward-looking statements that are not based on historical fact. When used in this report, words such as expects , anticipates , believes , seeks , estimates , plans , intends , and similar words are intended in part to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Although such statements are based on management s current estimates and expectations, and currently available competitive, financial, and economic data, forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause our actual results to differ materially from what may be inferred from the forward-looking statements. Some of the factors that could cause or contribute to such differences are listed and discussed in Item 1A *Risk Factors*, included in our 2007 Form 10-K (beginning on page 18 thereto). We undertake no obligation to release publicly any revisions or updates to any forward-looking statements that are contained in this document.

Business Combination

As discussed in the Notes to Consolidated Financial Statements included herein, the Company completed the acquisition of Carter & Burgess, Inc. (Carter & Burgess) during the quarter ended December 31, 2007. Carter & Burgess contributed approximately $84.4 million of revenues and approximately $1.7 million of operating profit during the quarter ended December 31, 2007. The acquisition of Carter & Burgess resulted in approximately $176.6 million in goodwill. The purchase price allocation is preliminary and the final purchase price will be determined pending the receipt of information necessary to complete the valuation of certain assets and liabilities, which may result in a change in the initial estimates.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

Results of Operations

Net earnings for the first quarter of fiscal 2008 totaled $98.4 million, or $0.79 per diluted share. Included in this amount is a one time-gain of $5.4 million, or $0.04 per diluted share, from the sale of the Company s interest in a company that provides specialized operations and maintenance services.

Excluding the one-time gain:

Net earnings for the first quarter of fiscal 2008 totaled $93.0 million; this is $31.7 million, or 51.8%, higher than the amount for the first quarter of fiscal 2007;

Diluted earnings per share for the first quarter of fiscal 2008 totaled $0.75, a 47.1% increase over the prior year.

Total revenues for the quarter ended December 31, 2007 increased by $453.3 million, or 22.5%, to $2.5 billion compared to $2.0 billion for the first quarter of fiscal 2007.

The following table sets forth our revenues by the various types of services we provide for the three months ended December 31, 2007 and 2006 (in thousands):

	Three Months Ended December 31	
	2007	**2006**
Project Services	$ 1,168,573	$ 831,436
Construction	857,016	824,791
Operations and Maintenance	288,772	237,035
Process, Scientific and Systems Consulting	157,456	125,246
	$ 2,471,817	$ 2,018,508

Excluding the effects of the acquisition of Carter & Burgess, project services revenues increased $252.7 million, or 30.4%, as compared to the first quarter of fiscal 2007. The higher project services revenues reflect increased activity relating to design services, preliminary and detailed engineering services, and architectural services that we provide our clients. These services are more prominent in the earlier phases of projects before the project enters any construction phase. In general, we believe the level of project services we provide clients is a precursor to opportunities to provide construction services, construction management services, and ultimately, maintenance services.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

The following table sets forth our revenues by the industry groups and markets in which our clients operate for the three months ended December 31, 2007 and 2006 (in thousands):

	Three Months Ended December 31	
	2007	2006
Energy & Refining - Downstream	$ 734,844	$ 521,548
National Government Programs	417,419	353,429
Chemicals and Polymers	343,104	359,088
Oil & Gas - Upstream	268,077	189,669
Pharmaceuticals and Biotechnology	221,145	205,550
Infrastructure	219,094	146,040
Buildings	162,211	104,382
Industrial and Other	105,923	138,802
	$ 2,471,817	$ 2,018,508

We experienced an increase in revenues from clients operating in many of the industry groups and markets we serve, with the energy & refining, infrastructure, and oil & gas industries and markets posting the higher increases.

Revenues during the first quarter of fiscal 2008 from clients operating in the energy & refining industries increased $213.3 million, or 40.9%, as compared to the corresponding period last year. We continue to see higher capital spending relating to projects involving the reconfiguration and expansion of existing refineries, and addressing the effects of changing crude inputs from lighter crudes to heavier crudes that contain slightly higher levels of sulfur.

Revenues from clients operating in the infrastructure market increased $73.1 million, or 50.0%, as compared to the corresponding period last year. Substantially all of the increase related to the acquisition of Carter & Burgess.

Revenues from clients operating in the oil & gas industries increased $78.4 million, or 41.3%, as compared to the corresponding period last year. We continue to see strong revenue flows from oil and gas extraction projects, particularly in the oil sands area of Canada. Although such projects are sensitive to the overall price of oil, we do not believe modest decreases in oil prices will have a material affect on such projects.

As a percentage of revenues, direct costs of contracts for the three months ended December 31, 2007 was 84.3% as compared to 86.6% for the three months ended December 31, 2006.

The decrease in this percentage relationship during the first quarter of fiscal 2008 as compared to the corresponding period last year was due primarily to a higher level of project services revenue, relative to construction and maintenance services, combined with higher margin rates realized on our project services activity. The percentage relationship between direct costs of contracts and revenues fluctuates between reporting periods depending on a variety of factors including the mix of business during the reporting periods being compared as well as the level of margins earned from the various types of services provided.

Selling, general and administrative (SG&A) expenses for the three months ended December 31, 2007 increased $69.6 million, or 39.3%, to $246.7 million compared to $177.1 million for the three months ended December 31, 2006. The operations of Carter & Burgess contributed $34.8 million of additional SG&A expense during the quarter. In general, SG&A expense grew at a lower rate as compared to the growth rate in margins.

Miscellaneous income, net for the three months ended December 31, 2007 increased $10.5 million to $9.2 million as compared to the corresponding period last year. Included in this amount is a $10.6 million gain from the sale of the Company s interest in a company that provides specialized operations and maintenance services.

Backlog Information

We include in backlog the total dollar amount of revenues we expect to record in the future as a result of performing work under contracts that have been awarded to us. Because of the nature, size, expected duration, funding commitments, and the scope of services required by our contracts, the timing of when backlog will be recognized as revenues can vary greatly between individual contracts. Our policy with respect to operations and maintenance (O&M) contracts, however, is to include in backlog the amount of revenues we expect to receive for one succeeding year, regardless of the remaining life of the contract. For national government programs (other than national government O&M contracts), our policy is to include in backlog the full contract award, whether funded or unfunded, and exclude option periods.

In accordance with industry practice, substantially all of our contracts are subject to cancellation or termination at the option of the client. Historically, we have not experienced cancellations that have had a material effect on the reported backlog amounts. In a situation where a client terminates a contract, we would ordinarily be entitled to receive payment for work performed up to the date of termination and, in certain instances, we may be entitled to allowable termination and cancellation costs. While management uses all information available to it to determine backlog, our backlog at any given time is subject to changes in the scope of services to be provided as well as increases or decreases in costs relating to the contracts included therein.

Because certain contracts (for example, contracts relating to large engineering, procurement and construction projects as well as national government programs) can cause large increases to backlog in the fiscal period in which we recognize the award, and because many of our contracts require us to provide services that span over a number of fiscal quarters (and sometimes over fiscal years), we evaluate our backlog on a year-over-year basis, rather than on a sequential, quarter-over-quarter basis.

The following table summarizes our backlog at December 31, 2007 and 2006 (in millions):

	2007	**2006**
Technical professional services	$ 7,110.8	$ 5,542.2
Field services	7,850.5	4,854.3
Total	$ 14,961.3	$ 10,396.5

Our backlog increased $4.6 billion, or 43.9%, to $15.0 billion at December 31, 2007 from $10.4 billion at December 31, 2006. Contributing to the growth in backlog were significant awards from clients operating in the energy & refining and oil & gas industries, as well as new awards form our national government program clients. Also contributing to the increase was approximately $389.0 million in backlog acquired as part of the Carter & Burgess acquisition.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

Liquidity and Capital Resources

At December 31, 2007, our principal source of liquidity consisted of $398.8 million of cash and cash equivalents, and $253.5 million of available borrowing capacity under our $290.0 million, long-term, unsecured revolving credit facility. We finance as much of our operations and growth as possible through cash generated by our operations.

During the three months ended December 31, 2007, our cash and cash equivalents decreased by $214.6 million, to $398.8 million. This compares to a net increase in cash and cash equivalents of $50.4 million, to $484.5 million, during the corresponding period last year. During the three months ended December 31, 2007, we experienced net cash outflows from operating activities and investing activities of $22.6 million and $202.5 million, respectively. These outflows were offset in part by net cash inflows from financing activities and the effect of exchange rates of $10.0 million and $0.5 million, respectively.

Our operations used $22.6 million of cash during the three months ended December 31, 2007 compared to cash inflows of $74.6 million for the corresponding period last year. The $97.2 million decrease in cash provided by operations during the most recent fiscal quarter as compared to the corresponding period last year was due primarily to a $112.8 million decrease relating to the timing of cash receipts and payments within our working capital accounts; a $15.3 million decrease relating to stock based compensation (including the related excess tax benefits); and $10.6 million of gains relating to sales of investments and other assets (the cash flows from which are reclassified to the investing section within the consolidated statements of cash flows). These decreases in cash flows form operations were offset in part by a $37.1 million increase in net earnings; an increase of $3.5 million in depreciation and amortization of property, equipment and improvements; and a $1.4 million change relating to deferred income taxes.

We used $202.5 million of cash for investing activities during the three months ended December 31, 2007. This compares to net cash outflows of $36.5 million during the corresponding period last year. The $165.9 million increase in cash used for investing activities during the most recent fiscal quarter as compared to the corresponding period last year was due primarily to $175.9 million increase in cash used for acquisitions of businesses (net of cash acquired), and a $3.6 million increase in additions to property and equipment, net of disposals. These uses were offset in part by $14.1 million of cash received in connection with the sale of the Company s interest in a company that provides specialized operations and maintenance services. During the quarter ended December 31, 2007 we used $199.8 million in cash, net of cash acquired and inclusive of acquisition related costs, to acquire Carter & Burgess.

Our financing activities provided net cash inflows of $10.0 million during the three months ended December 31, 2007. This compares to net cash inflows of $13.6 million during the corresponding period last year. The $3.6 million net decrease in cash provided by financing activities during the most recent fiscal quarter as compared to the corresponding period last year was due primarily to a $12.6 million net decrease in cash flows relating to our borrowing activities, and an $8.7 million net decrease relating to our other, long-term deferred liabilities. These increases in cash outflows were offset in part by a $17.7 million increase in cash flows attributable to issuances of common stock (including the related excess tax benefits).

We believe we have adequate liquidity and capital resources to fund our operations, support our acquisition strategy, and service our debt for the next twelve months. We had $398.8 million in cash and cash equivalents at December 31, 2007, compared to $613.4 million at September 30, 2007, and $484.5 million a year ago. Our consolidated working capital position at December 31, 2007 was $921.2 million, compared to $1.0 billion at September 30, 2007, and $855.5 million at December 31, 2006. We have a long-term, unsecured, revolving credit facility providing up to $290.0 million of debt capacity, under which $36.5 million was utilized at December 31, 2007 in the form of direct borrowings. We believe that the capacity, terms and conditions of our long-term revolving credit facility is adequate for our working capital and general business requirements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We do not enter into derivative financial instruments for trading, speculation or other purposes that would expose us to market risk. As more fully discussed below, our results of operations are exposed to risks associated with fluctuations in interest rates and currency exchange rates.

Interest Rate Risk

Our only source for long-term credit is a $290.0 million, long-term, unsecured revolving credit facility. The total amount outstanding under this facility at December 31, 2007 was $36.5 million. This agreement expires in May 2012, and provides for both fixed-rate and variable-rate borrowings. Our objectives in managing our interest rate risk are to limit the impact of interest rate changes on earnings and cash flows, and to lower our overall borrowing costs.

In connection with the lease of one of our offices in Houston, Texas, we entered into a floating-to-fixed interest rate swap agreement with a large U.S. bank which fixes the amount of our lease payments. At December 31, 2007 the notional amount of this hedge was $52.2 million. This instrument allows us to receive a floating rate payment tied to the 1-month LIBOR from the counterparty in exchange for a fixed-rate payment from us. We have determined that this contract qualifies as an effective hedge under the provisions SFAS 133 *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133).

Foreign Currency Risk

In situations where our operations incur contract costs in currencies other than their functional currency, we attempt to have a portion of the related contract revenues denominated in the same currencies as the costs. In those situations where revenues and costs are transacted in different currencies, we sometimes enter into foreign exchange contracts in order to limit our exposure to fluctuating foreign currencies. We follow the provisions of SFAS 133 in accounting for our derivative contracts. At December 31, 2007, we had the following derivative contracts outstanding (USD refers to U.S. dollar; GBP , the British Pound):

Hedge Instrument	**Notional Amount**	**Rate**	**Settlement Year**
Euro Put Option	2,767,000	0.8090 / USD	2008
Euro Put Option	12,324,000	1.4510 / GBP	2009

We ve determined these contracts to be highly effective according to the provisions of SFAS 133. The contracts are recognized in our consolidated balance sheets at their fair values. Changes in the fair values of the derivatives are recorded in other comprehensive income.

Concurrent with the fiscal 2004 acquisition of the Babtie Group Limited, we entered into a forward contract with a large, U.S. bank. The purpose of the contract is to hedge the Company s exposure to fluctuating foreign currency exchange rates on a £39.9 million intercompany loan between Jacobs and one of its subsidiaries. Based on the terms of the contract, we believe the effect of the loan on future earnings at December 31, 2007 should be limited to $2.5 million of expense. At December 31, 2007, the notional amount of the contract was £39.9 million. It provides for an average exchange rate of 0.5828 GBP-to-USD, and terminates in fiscal 2011. We have determined that this derivative qualifies as a cash flow hedge under the provisions of SFAS 133.

The fair value of derivative contracts included in other deferred liabilities in the accompanying consolidated balance sheets totaled $8.4 million and $8.6 million at December 31, 2007 and September 30, 2007, respectively.

Item 4. Controls and Procedures.

Under the supervision and with the participation of the Company s management, including the Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of its disclosure controls and procedures (as defined by Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) as required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures were effective as of December 31, 2007.

There were no changes in the Company s internal control over financial reporting during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In the normal course of business, we are subject to certain contractual guarantees and litigation. The guarantees to which we are a party generally relate to project schedules and plant performance. Most of the litigation involves us as a defendant in workers compensation; personal injury; environmental; employment/labor; professional liability; and other similar lawsuits.

We maintain insurance coverage for various aspects of our business and operations. We have elected, however, to retain a portion of losses that occur through the use of various deductibles, limits, and retentions under our insurance programs. This situation may subject us to some future liability for which we are only partially insured, or completely uninsured. We intend to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of our contracts.

Additionally, as a contractor providing services to agencies of the United States federal government, we are subject to many levels of audits, investigations and claims by, or on behalf of, the U.S. federal government with respect to our contract performance; pricing; costs; cost allocations; and procurement practices. Furthermore, our income, franchise, and similar tax returns and filings are also subject to audit and investigation by the Internal Revenue Service, most states within the United States as well as by various government agencies representing jurisdictions outside the United States.

In accordance with SFAS No. 5 *Accounting for Contingencies* and Interpretation No. 48 *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, we record in our consolidated balance sheets amounts representing our estimated liability relating to such claims, guarantees, litigation, and audits and investigations. We rely on qualified actuaries to assist us in determining the level of reserves to establish for insurance-related claims that are known and have been asserted against us, and for insurance-related claims that are believed to have been incurred based on actuarial analysis, but have not yet been reported to our claims administrators as of the respective balance sheet dates. We include any adjustments to such insurance reserves in our consolidated results of operations.

Management believes, after consultation with counsel, that such guarantees, litigation, United States Government contract-related audits, investigations and claims, and income tax audits and investigations should not have any material adverse effect on our consolidated financial statements.

In addition to the matters described above, we are involved in a dispute with a client relating to a large waste incineration project in Europe. The contract was entered into by one of our subsidiaries several years prior to our acquisition of that subsidiary. The dispute involves proper waste feed; content of residues; final acceptance of the plant; and costs of operation and maintenance of the plant. We have initiated litigation against the client and are seeking in excess of 40.0 million (approximately $58.5 million) in damages. The client has filed a counterclaim against us, which we believe is without merit. We believe our claims are valid and enforceable and that we will be ultimately successful in obtaining a favorable judgment.

The Company had been involved in a dispute where a client filed suit against a joint venture in which a Jacobs subsidiary is a minority participant. This matter arose from the joint venture s participation in the design and construction management of an extension of a light-rail project in the United States. During the quarter, the jury returned verdicts in favor of the joint venture dismissing all claims.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

On August 1, 2007 the I-35W bridge in Minneapolis, Minnesota suffered a tragic collapse. The bridge was designed and built in the early 1960 s. Sverdrup & Parcel and Associates, Inc. (Sverdrup & Parcel) provided design services to the Minnesota Department of Transportation (MnDOT) on the bridge. Sverdrup & Parcel was a predecessor company to Sverdrup Corporation, a company acquired by Jacobs in 1999. The National Transportation Safety Board (NTSB) recently released an Interim Report identifying certain elements of the design as a possible factor in the collapse. The Company is continuing its close cooperation with the NTSB and MnDOT in their investigation of the collapse. The Company does not expect this incident to have any material adverse effect on its consolidated financial statements.

Item 1A. Risk Factors.

Please refer to Item 1A *Risk Factors* on pages 18 through 23 of our 2007 Form 10-K, which is incorporated herein by reference. There have been no material changes from those risk factors previously disclosed in our 2007 Form 10-K.

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

On November 2, 2007, we acquired Carter & Burgess, a Texas corporation, for cash and shares of our common stock. In connection with the acquisition, we issued 449,023 shares of our common stock with an aggregate value of approximately $35.9 million to Carter & Burgess. No underwriters or placement agents were involved with this acquisition.

The issuance of our common stock in the acquisition was exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act), pursuant to Rule 506 thereof. The offer and sale of the shares of our common stock: (i) was made as part of a transaction that did not involve more than 35 purchasers, (as defined in Rule 501(e) under the Securities Act) and where all such shareholders who were not accredited investors had such knowledge and experience in financial and business matters that each was capable of evaluating the merits and risks of acquiring shares of our common stock, and (ii) did not involve any general solicitation or general advertising.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

Item 6. Exhibits

(a) Exhibits

10.1	The Jacobs Engineering Group Inc. 1999 Outside Director Stock Plan (As Amended and Restated), effective December 6, 2007.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JACOBS ENGINEERING GROUP INC.

By: /s/ John W. Prosser, Jr.
John W. Prosser, Jr.
Executive Vice President
Finance and Administration
and Treasurer

Date: January 25, 2008

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stment in the three ethanol LLCs increased $16.5 million, primarily as a result of the significantly improved performance of TAME as decreasing corn and natural gas prices have improved margins for that entity. In addition, the Company s share of income from The Andersons Albion Ethanol LLC s business interruption claim from a fire at its facility was $1.3 million. Income from the Group s investment in Lansing Trade Group LLC (LTG) decreased $3.0 million.

Rail Group

	Year ended December 31,	
	2009	**2008**
Sales and merchandising revenues	**$92,789**	$133,898
Cost of sales	**75,973**	96,843
Gross profit	**16,816**	37,055
Operating, administrative and general	**13,867**	13,645
Interest expense	**4,468**	4,154
Other income, net	**485**	526
Operating income (loss)	**$ (1,034)**	$ 19,782

Operating results for the Rail Group decreased $20.8 million over 2008. Leasing revenues decreased $14.6 million, or 16%, due to the significant decrease in utilization. Sales of railcars decreased $20.1 million, or 74%, over 2008. With so many cars in the industry idled, there is not the demand for cars that there was in 2008 and with fewer cars on the rail lines overall, the opportunities for business in the repair and fabrication shops has significantly decreased resulting in a $6.4 million decrease in sales in that business. Gross profit for the Group decreased $20.2 million, or 55%, and is the result of the decreased sales coupled with significantly increased storage costs as many cars remain idle. Storage expenses for the Group increased $3.0 million in 2009 compared to 2008.

Operating expenses remained relatively flat year-over-year. Interest expense for the Group increased slightly.

Plant Nutrient Group

	Year ended December 31,	
	2009	**2008**
Sales and merchandising revenues	**$491,293**	$652,509
Cost of sales	**431,874**	618,519
Gross profit	**59,419**	33,990
Operating, administrative and general	**45,955**	41,598
Interest expense	**3,933**	5,616
Equity in earnings of affiliates	**8**	6
Other income, net	**1,755**	893
Operating income (loss)	**$ 11,294**	$ (12,325)

Operating results for the Plant Nutrient Group increased $23.6 million over its 2008 results. Sales decreased $161.2 million, or 25%, over 2008 due to early 2008 price appreciation in fertilizer which caused the average price per ton sold for the year to be 33% higher than it was in 2009. As prices started to decline toward the end of 2008, and sales volume began to decrease, the Company was left with a large inventory position valued higher than the market. This resulted in lower-of-cost or market and contract adjustments in the amount of $97.2 million in 2008. As a result of these significant write-downs in 2008, the Group s 2009 gross profit is a $25.4 million improvement over the prior year. Volume also increased 12% over 2008.

Operating expenses for the Group increased $4.4 million, or 10%, over 2008 due to the added expenses from the Group s acquisitions during 2008 and 2009. Excluding the expenses from these three businesses, expenses decreased $2.7 million, primarily in bad debt expense, uninsured losses and performance incentives.

Interest expense decreased $1.7 million, or 30%, as the drop in fertilizer prices have resulted in less borrowing needs to cover working capital.

Other income for the Group increased $0.9 million over 2008 as a result of forfeited customer prepayments.

Turf & Specialty Group

	Year ended December 31,	
	2009	**2008**
Sales and merchandising revenues	**$125,306**	$118,856
Cost of sales	**99,849**	94,152
Gross profit	**25,457**	24,704
Operating, administrative and general	**20,424**	21,307
Interest expense	**1,429**	1,522
Other income, net	**1,131**	446
Operating income	**$ 4,735**	$ 2,321

Operating results for the Turf & Specialty Group increased $2.4 million over its 2008 results. Sales increased $6.5 million, or 5%. Sales in the lawn fertilizer business increased $6.4 million, or 6%, due to a 20% increase in volume, partially offset by an 11% decrease in the average price per ton sold. Sales in the cob business remained flat. Gross profit for the Group increased $0.8 million, or 3%.

Operating expenses for the Group decreased $0.9 million, or 4%, over 2008, and is primarily related to decreased pension expense as a result of the freezing of the Company s defined benefit plan.

Retail Group

	Year ended December 31,	
	2009	**2008**
Sales and merchandising revenues	**$161,938**	$173,071
Cost of sales	**114,928**	121,945
Gross profit	**47,010**	51,126
Operating, administrative and general	**49,575**	50,089
Interest expense	**961**	886
Other income, net	**683**	692
Operating income (loss)	**$ (2,843)**	$ 843

Operating results for the Retail Group decreased $3.7 million over its 2008 results. Sales decreased $11.1 million, or 6%, over 2008 and were experienced in all of the Group s market areas. Customer counts decreased 2% and the average sale per customer decreased 4%. Gross profit decreased $4.1 million, or 8%, due to the decreased sales as well as a half a point decrease in gross margin percentage. As mentioned previously, the Group closed its Lima, Ohio store in the fourth quarter of 2009.

Operating expenses for the Group decreased $0.5 million, or 1%, in spite of $0.8 million in severance costs related to the closing of the Lima, Ohio store.

Other

	Year ended December 31, 2009	2008
Sales and merchandising revenues	**$**	$
Cost of sales		
Gross profit		
Operating, administrative and general	**4,652**	3,310
Interest expense	**534**	394
Equity in earnings of affiliates	**3**	
Other income (loss), net	**1,958**	(1,138)
Operating (loss)	**$(3,225)**	$(4,842)

Corporate operating, administrative and general expenses (costs not allocated back to the business units) increased $1.3 million, or 41%, over 2008 and relates primarily to increased charitable contributions and increased expenses for the Company s deferred compensation plan. These increases were partially offset by a reduction of expenses related to the Company s defined benefit plan as a result of the pension freeze announced during the third quarter of 2009. The increase in expenses related to the deferred compensation plan are offset by increases to other income as the assets invested in the plan performed better than the prior year.

As a result of the operating performances noted above, income attributable to The Andersons, Inc. of $38.4 million for 2009 was 17% higher than the income attributable to The Andersons, Inc. of $32.9 million in 2008. Income tax expense of $21.9 million was recorded in 2009 at an effective rate of 36.4% which is an increase from the 2008 effective rate of 33.4% due primarily to certain Indiana state tax credits related to TACE that were a benefit to the Company in 2008.

Comparison of 2008 with 2007

Grain & Ethanol Group

	Year ended December 31, 2008	2007
Sales and merchandising revenues	**$2,411,144**	$1,498,652
Cost of sales	**2,300,190**	1,419,285
Gross profit	**110,954**	79,367
Operating, administrative and general	**60,281**	49,641
Interest expense	**18,667**	8,739
Equity in earnings of affiliates	**4,027**	31,870
Other income, net	**4,751**	11,721
Minority interest in loss of subsidiary	**2,803**	1,356
Operating income	**$ 43,587**	$ 65,934

Operating results for the Grain & Ethanol Group deceased $22.3 million over 2007. Sales of grain increased $708.3 million, or 60%, over 2007 and is the result of both an increase in volume of 15% and a 40% increase in the average price per bushel sold. Almost all of the volume increase is a result of corn sales to TAME, which started production of ethanol in February 2008. Sales of ethanol increased $197.1 million, or 76%, and is related primarily to the increased sales from ethanol produced by TAME as well as increases from ethanol produced by The Andersons Clymers Ethanol LLC (TACE), which began operations in the middle of the second quarter of 2007. Merchandising revenues increased $0.6 million, or 1%, over 2007 and relates to increased corn origination fees to non-ethanol entities. Services provided to the ethanol industry increased $6.5 million, or 50%, and relate primarily to increased activity associated with TAME and TACE.

Gross profit increased $31.6 million, or 40%, for the Group, and is a combination of the increased ethanol service fees, a $9.4 million, or 72%, increase in margin on grain sales, a $7.1 million increase in drying and mixing income, which is income earned when wet grain is received into the elevator and dried to an acceptable moisture level, and gains on commodity derivatives of $7.5 million entered into by the Company s majority owned subsidiary, The Andersons Ethanol Investment LLC (TAEI). TAEI s commodity derivatives are being used to economically hedge price risk related to TAMEs corn purchases and ethanol sales.

Operating expenses for the Group increased $10.6 million, or 21%, over 2007 and is related primarily to an increase in the allowance for doubtful accounts of $4.6 million for reserves taken against customer receivables for contracts where grain was not delivered and the contracts were subsequently cancelled. The remaining increase is spread across several expense items, primarily employee related costs, and is a result of growth. Interest expense for the Group increased $9.9 million, or 114%, over 2007. The significant increase in commodity prices earlier in the year and the need to cover margin requirements, which led to an increase in average borrowings, is the main driver for the increase in interest costs for the Group.

Equity in earnings of affiliates decreased $27.8 million, or 87%, from 2007. The decrease from the Company s ethanol LLCs was $21.5 million and the decrease from Lansing Trade Group LLC (LTG) was $6.5 million due to counterparty losses recorded during the fourth quarter. With the ethanol LLCs, the decrease in earnings is a result of the pricing relationship between corn and ethanol which has made it extremely difficult to produce ethanol at a profit. As part of its Risk Management Policy with these entities, the Company attempts to lock in a reasonable margin using forward contracting, however, as the price of corn began to rise and the price of ethanol began to drop, there were limited opportunities to lock in reasonable margins. The decrease in earnings from LTG were primarily the result of counterparty credit issues that surfaced during the fourth quarter in LTG s corn originations business that resulted in significant reserves being recorded.

Rail Group

	Year ended December 31,	
	2008	**2007**
Sales and merchandising revenues	**$133,898**	$129,932
Cost of sales	**96,843**	92,892
Gross profit	**37,055**	37,040
Operating, administrative and general	**13,645**	12,661
Interest expense	**4,154**	5,912
Other income, net	**526**	1,038
Operating income	**$ 19,782**	$ 19,505

Operating results for the Rail Group increased $0.3 million over 2007. Sales for the Group increased $4.0 million, or 3%, and is the result of a $6.6 million increase in lease income and a $1.2 million increase in the Group s repair and fabrication shops, offset by a $3.8 million decrease in car sales. The increase in leasing revenue is a result of the Group s 5% increase in its rail fleet. The addition of the two repair shops in 2008 contributed to their increased sales for the year Gross profit for the Group remained relatively flat for the year. Gross profit in the leasing business increased $2.8 million, or 12%, with a 1% increase in margin percentage. Gross profit on car sales decreased $4.1 million as a result of the decreased sales as well as the mix of cars sold. Scrap sales were up for the year however scrap prices have recently declined, resulting in lower margins. Gross profit in the repair and fabrication business increased $1.2 million as a result of improved margins.

Operating expenses for the Group increased $1.0 million, or 8%, over the prior year and relate primarily to the new rail shops. Interest expense for the Group continues to decrease as it pays off its long-term debt. The majority of the decrease in other income is related to a property insurance claim received in 2007 in the amount of $0.3 million.

Plant Nutrient Group

	Year ended December 31, 2008	2007
Sales and merchandising revenues	**$652,509**	$466,458
Cost of sales	**618,519**	415,856
Gross profit	**33,990**	50,602
Operating, administrative and general	**41,598**	22,652
Interest expense	**5,616**	1,804
Equity in earnings (loss) of affiliates	**6**	(7)
Other income, net	**893**	916
Operating income (loss)	**$ (12,325)**	$ 27,055

Operating results for the Plant Nutrient Group decreased $39.4 million over its 2007 results. Sales increased $186.1 million, or 40%, over 2007 due to earlier in the year price appreciation in fertilizer which caused the average price per ton sold for the year to be 71% higher than it was in 2007. As prices started to decline during the last several months of 2008 and sales volume decreased, the Company was left with a large inventory position valued higher than the market. This resulted in lower-of-cost or market and contract adjustments in the amount of $97.2 million. The price appreciation earlier in the year accompanied with the charges taken later in the year as prices fell, have contributed to the decrease in gross profit of $16.6 million and a decrease in gross profit per ton sold of 24%.

Operating expenses for the Group increased $18.9 million, or 84%, over 2007. The Group s acquisitions during 2008 contributed to $11.9 million of the increase. Maintenance expenses increased $1.5 million due to delays in projects in the prior year that were performed in 2008. The remaining increase in operating expenses is spread amongst several items.

Interest expense increased $3.8 million, of which, $0.4 million relates to interest on debt assumed in its acquisitions. The remaining increase is the result of a higher use of working capital due to higher fertilizer prices earlier in the year.

Turf & Specialty Group

	Year ended December 31, 2008	2007
Sales and merchandising revenues	**$118,856**	$103,530
Cost of sales	**94,152**	83,792
Gross profit	**24,704**	19,738
Operating, administrative and general	**21,307**	18,606
Interest expense	**1,522**	1,475
Other income, net	**446**	438
Operating income	**$ 2,321**	$ 95

Operating results for the Turf & Specialty Group increased $2.2 million over its 2007 results. Sales increased $15.3 million, or 15%. In the lawn care business, sales increased $13.9 million, or 16%, primarily in the professional business, and is attributed to a 14% increase in the average price per ton sold. In the cob business, sales increased $1.4 million, or 10%, and can be attributed to a 4% increase in volume and a 5% increase in the average price per ton sold. Gross profit for the Group increased $5.0 million, or 25%. In the lawn care business, gross profit was up $4.0 million with a 2% increase in the margin percentage. In the cob business, gross profit was up $0.9 million with a 4% increase in the margin percentage. Operating expenses for the Group increased $2.7 million, or 15%, over 2007, and are up in many areas, primarily related to the new Contec DG plant.

Retail Group

	Year ended December 31,	
	2008	**2007**
Sales and merchandising revenues	**$173,071**	$180,487
Cost of sales	**121,945**	127,522
Gross profit	**51,126**	52,965
Operating, administrative and general	**50,089**	52,791
Interest expense	**886**	875
Other income, net	**692**	840
Operating income	**$ 843**	$ 139

Operating results for the Retail Group increased $0.7 million over its 2007 results. Sales decreased $7.4 million, or 4%, over 2007 and were experienced in all three of the Group s market areas. Gross profit decreased 3% due to a 4% decrease in customer counts for the year partially offset by a slight increase in margin percentage. The slight increase in margin percentage is a result of the mix of products sold.

Operating expenses for the Group decreased $2.7 million, or 5%, and is a result of the planned reduction in labor and benefits costs as well as the asset impairment charge taken in the fourth quarter of 2007 in the amount of $1.9 million.

Other

	Year ended December 31,	
	2008	**2007**
Sales and merchandising revenues	**$**	$
Cost of sales		
Gross profit		
Operating, administrative and general	**3,310**	13,402
Interest expense (income)	**394**	243
Other income (loss), net	**(1,138)**	6,778
Operating (loss)	**$(4,842)**	$ (6,867)

Net corporate operating expenses not allocated back to the business units decreased $10.1 million, or 75%, over 2007 and relate primarily to reduced employee costs for corporate level employees and lower charitable contributions. Other income decreased $7.9 million over 2007 and is a combination of the 2007 gain on the donation of available for sale securities of $4.9 million and 2008 losses of $2.0 million on deferred compensation assets.

As a result of the operating performances noted above, income attributable to The Andersons, Inc. of $32.9 million for 2008 was 52% lower than the pretax income of $68.8 million in 2007. Income tax expense of $16.5 million was recorded in 2008 at an effective rate of 33.4% which is a decrease from the 2007 effective rate of 35% due primarily to certain Indiana state tax credits related to TACE.

Liquidity and Capital Resources

Operating Activities and Liquidity

The Company s operations provided cash of $180.2 million in 2009, a decrease of $98.4 million from cash provided by operations of $278.7 million in 2008. The significant amount of operating cash flows in 2008 relates primarily to a decrease in the amount of margin call requirements as commodity prices dropped from the unprecedented highs experiences in 2007. Net working capital at December 31, 2009 was $307.7 million, a decrease of $23.0 million from December 31, 2008.

The Company received net income tax refunds of $24.2 million for the year ended December 31, 2009, compared to $49.7 million of income tax payments made in 2008. The Company makes quarterly tax payments based on full-year estimated income. Through the first nine months of 2008, the Company anticipated significantly higher earnings and were making quarterly income payments accordingly. In the fourth quarter of 2008, the market price of fertilizer decreased dramatically requiring the Company to record lower-of-cost-or market adjustments on its inventory and purchase commitments in the amount of $97.2 million. The significantly decreased earnings resulted in lower income taxes due and as of December 31, 2008 the Company had over-paid its income tax liability for the year. The majority of this over-payment was refunded in the first quarter of 2009.

Investing Activities

Total capital spending for 2009 on property, plant and equipment within the Company s base business was $16.6 million, which includes $6.6 million in the Plant Nutrient Group, $6.2 million in the Grain & Ethanol Group, $1.3 million in the Turf & Specialty Group, $1.2 million in the Retail Group, $0.3 million in the Rail Group and $1.0 million in Corporate purchases.

In addition to spending on conventional property, plant and equipment, the Company spent $25.0 million in 2009 for the purchase of railcars and capitalized modifications on railcars, partially offset by proceeds from the sales and dispositions of railcars of $8.5 million.

In August 2009, the Company acquired 100% of the assets of the Fertilizer Division of Hartung Brothers, Inc. (HBI). The final purchase price was $30.5 million. HBI is a regional wholesale supplier of liquid fertilizers with six facilities located in Wisconsin and Minnesota. This acquisition enhances the core business of the Company s Plant Nutrient Group and extends their market beyond the eastern corn-belt.

The Company expects to spend approximately $55 million in 2010 on conventional property, plant and equipment, including additions and enhancements to existing facilities, and an additional $75 million for the purchase and capitalized modifications of railcars with related sales or financings of $72 million.

Financing Arrangements

The Company has significant committed short-term lines of credit available to finance working capital, primarily inventories, margin calls on commodity contracts and accounts receivable. The Company is party to a borrowing arrangement with a syndicate of banks, which was amended in April 2009, to provide the Company with $490 million in short-term lines of credit and $85 million in long-term lines of credit. The Company had nothing drawn on its short-term line of credit at either December 31, 2009 or 2008. Peak borrowing on the line of credit during 2009 was $92.7 million on February 6th. 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 working capital and equity, and limitations on additional debt. The Company was in compliance with all such covenants at December 31, 2009. In addition, certain of the Company s long-term borrowings are collateralized by first mortgages on various facilities or are collateralized by railcar assets. The Company s non-recourse long-term debt is collateralized by railcar and locomotive assets.

The Company paid $0.0775 per common share for the dividends paid in January and April 2008, $0.085 per common share for the dividends paid in July and October 2008 and January 2009, $0.0875 per common share for the dividends paid in April, July and October 2009 and January 2010. During 2009, the Company issued approximately 171,000 shares to employees and directors under its share compensation plans. In addition, the Company repurchased approximately 20,000 shares during the first quarter of 2009 for $0.2 million.

Because the Company is a significant consumer of short-term debt in peak seasons and the majority of this is variable rate debt, increases in interest rates could have a significant impact on the profitability of the Company. In addition, periods of high grain prices and / or unfavorable market conditions could require the Company to make additional margin deposits on its exchange traded futures contracts. Conversely, in periods of declining prices, the Company receives a return of cash.

The recent volatility in the capital and credit markets has had a significant impact on the economy. Despite this volatile and challenging economic environment, the Company has continued to have good access to the credit markets. The Company s short-term credit facility has a three year commitment and expires in September 2011. In the unlikely event that the Company were faced with a situation where it was not able to access the capital markets (including through the renewal of its line of credit), the Company believes it could successfully implement contingency plans to maintain adequate liquidity such as expanding or contracting the amount of its forward grain contracting, which will reduce the impact of grain price volatility on its daily margin calls. Additionally, the Company could begin to liquidate its stored grain inventory as well as execute sales contracts with its customers that align the timing of the receipt of grain from its producers to the shipment of grain to its customers (thereby freeing up working capital that is typically utilized to store the grain for extended periods of time). The Company believes that its operating cash flow, the marketability of its grain inventories, other liquidity contingency plans and its access to sufficient sources of liquidity, will enable it to meet its ongoing funding requirements. At December 31, 2009, the Company had $560.9 million available under its lines of credit.

Contractual Obligations
Future payments due under contractual obligations at December 31, 2009 are as follows:

	Payments Due by Period				
Contractual Obligations (in thousands)	Less than 1 year	1-3 years	3-5 years	After 5 years	Total
Long-term debt (a)	$ 5,855	$116,608	$22,444	$149,704	$ 294,611
Long-term debt non-recourse (a)	5,080	8,906	10,364		24,350
Interest obligations (b)	16,605	24,352	18,072	16,693	75,722
Uncertain tax positions	361	232	28		621
Operating leases (c)	25,849	37,699	17,232	22,905	103,685
Purchase commitments (d)	973,636	99,581	2,080	726	1,076,023
Other long-term liabilities (e)	7,162	2,478	2,661	7,119	19,420
Total contractual cash obligations	$1,034,548	$289,856	$72,881	$197,147	$1,594,432

(a) The Company is subject to various loan covenants as highlighted previously. Although the Company is in compliance with its covenants, noncompliance could result in default and acceleration of long-term debt payments. The Company does not anticipate noncompliance with its covenants.

(b) Future interest obligations are calculated based off of interest rates in effect as of December 31, 2009 for the Company s variable rate debt and do not include any assumptions on expected borrowings, if any, under the short-term line of credit.

(c) Approximately 84% of the operating lease commitments above relate to 7,514 railcars and 14 locomotives that the Company leases from financial intermediaries. See Off-Balance Sheet Transactions below.

(c) Includes the amounts related to purchase obligations in the Company s operating units, including $745 million for the purchase of grain from producers and $287 million for the purchase of ethanol from our ethanol joint ventures. There are also forward grain and ethanol sales contracts to consumers and traders and the net of these forward contracts are offset by exchange-traded futures and options contracts or over-the-counter contracts. See narrative description of business for the Grain & Ethanol Group in Item 1 of this Annual Report on Form 10-K for further discussion.

(d) Other long-term liabilities include estimated obligations under our retiree healthcare programs and the estimated 2010 contribution to our defined benefit pension plan. Obligations under the retiree healthcare programs are not fixed commitments and will vary depending on various factors, including the level of participant utilization and inflation. Our estimates of postretirement payments through 2014 have considered recent payment trends and actuarial assumptions. We have not

estimated
pension
contributions
beyond 2010 due
to the significant
impact that
return on plan
assets and
changes in
discount rates
might have on
such amounts.

The Company had standby letters of credit outstanding of $14.1 million at December 31, 2009.

Off-Balance Sheet Transactions

The Company s Rail Group utilizes leasing arrangements that provide off-balance sheet financing for its activities. The Company leases railcars from financial intermediaries through sale-leaseback transactions, the majority of which involve operating leasebacks. Railcars owned by the Company, or leased by the Company from a financial intermediary, are generally leased to a customer under an operating lease. The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to a financial intermediary, and assigns the related operating lease to the financial intermediary on a non-recourse basis. In such arrangements, the Company generally provides ongoing railcar maintenance and management services for the financial intermediary, and receives a fee for such services. On most of the railcars and locomotives, the Company holds an option to purchase these assets at the end of the lease.

The following table describes the railcar and locomotive positions of the Rail Group at December 31, 2009.

Method of Control	Financial Statement		Number
Owned-railcars available for sale	On balance sheet	current	55
Owned-railcar assets leased to others	On balance sheet	non-current	13,930
Railcars leased from financial intermediaries	Off balance sheet		7,514
Railcars non-recourse arrangements	Off balance sheet		2,181
Total Railcars			23,680
Locomotive assets leased to others	On balance sheet	non-current	28
Locomotives leased from financial intermediaries	Off balance sheet		4
Locomotives leased from financial intermediaries under limited recourse arrangements	Off balance sheet		14
Locomotives non-recourse arrangements	Off balance sheet		78
Total Locomotives			124

In addition, the Company manages approximately 755 railcars for third-party customers or owners for which it receives a fee.

The Company has future lease payment commitments aggregating $87.0 million for the railcars leased by the Company from financial intermediaries under various operating leases. Remaining lease terms vary with none exceeding eleven years. The Company prefers non-recourse lease transactions, whenever possible, in order to minimize its credit risk. Refer to Note 10 to the Company s consolidated financial statements for more information on the Company s leasing activities.

In addition to the railcar counts above, the Grain & Ethanol Group owns 150 railcars which it leases to third parties under operating leases. These cars are included in railcar assets leased to others in the consolidated balance sheets.

Critical Accounting Estimates

The process of preparing financial statements requires management to make estimates and judgments that affect the carrying values of the Company s assets and liabilities as well as the recognition of revenues and expenses. These estimates and judgments are based on the Company s historical experience and management s knowledge and understanding of current facts and circumstances. Certain of the Company s accounting estimates are considered critical, as they are important to the depiction of the Company s financial statements and/or require significant or complex judgment by management. There are other items within our financial statements that require estimation, however, they are not deemed critical as defined above. Note 1 to the consolidated financial statements in Item 8 describes our significant accounting policies which should be read in conjunction with our critical accounting estimates.

Grain Inventories and Commodity Derivative Contracts

The Company marks to market all grain inventory, forward purchase and sale contracts for grain and ethanol, over-the-counter grain and ethanol contracts, and exchange-traded futures and options contracts. The overall market for grain inventories is very liquid and active; market value is determined by reference to prices for identical commodities on the Chicago Mercantile Exchange (adjusted primarily for transportation costs); and the Company s grain inventories may be sold without significant additional processing. The Company uses forward purchase and sale contracts and both exchange traded and over-the-counter contracts (such as derivatives governed by the International Swap Dealers Association). Management estimates fair value based on exchange-quoted prices, adjusted for differences in local markets, as well as counter-party non-performance risk in the case of forward and over-the-counter contracts. The amount of risk, and therefore the impact to the fair value of the contracts, varies by type of

contract and type of counter-party. With the exception of specific customers thought to be at higher risk, the Company looks at the contracts in total, segregated by contract type, in its assessment of nonperformance risk. For those customers that are thought to be at higher risk, the Company makes assumptions as to performance based on past history and facts about the current situation. Changes in fair value are recorded as a component of sales and merchandising revenues in the statement of income. If management used different methods or factors to estimate fair value or if there were changes in economic circumstances or deterioration of the financial condition of the counterparties to the contracts, the amounts reported as inventories, commodity derivative assets and liabilities and sales and merchandising revenues could differ. At December 31, 2009 and 2008, the Company had $2.1 million and $0.8 million, respectively, of fair value allowances relating to non-performance risk.

Impairment of Long-Lived Assets and Equity Method Investments

The Company s various business segments are each highly capital intensive and require significant investment in facilities and / or railcars. In addition, the Company has a limited amount of intangible assets and goodwill (described more fully in Note 5 to the Company s consolidated financial statements in Item 8) that it acquired in various business combinations. Whenever changing conditions warrant, the Company assesses whether the realizability of the Company s impacted tangible and intangible assets may be impaired. Although the Company has experienced a significant decline in utilization in its railcar business, due to the nature of these long-lived assets (low carrying values and 17 year average remaining useful lives), the current economic environment impacting the rail industry would have to persist on a long-term basis for the Company s railcar assets to be impaired and the Company does not believe this will occur.

We also annually review the balance of goodwill for impairment in the fourth quarter. These reviews for impairment take into account estimates of future undiscounted, and as appropriate discounted, cash flows. Our estimates of future cash flows are based upon a number of assumptions including lease rates, lease terms, operating costs, life of the assets, potential disposition proceeds, budgets and long-range plans. While we believe the assumptions we use to estimate future cash flows are reasonable, there can be no assurance that the expected future cash flows will be realized. If management used different estimates and assumptions in its evaluation of these cash flows, the Company could recognize different amounts of expense in future periods.

The Company also holds investments in limited liability companies that are accounted for using the equity method of accounting. The Company reviews its investments to determine whether there has been a decline in the estimated fair value of the investment that is below the Company s carrying value which is other than temporary. At December 31, 2009, the Company s total investment in entities accounted for under the equity method was $157.4 million.

Lower-of-Cost-or-Market Inventory Adjustments

The Company records its non-grain inventory at the lower of cost or market. Whenever changing conditions warrant, the Company evaluates the carrying value of its inventory compared to the current market. Market price is determined using both external data, such as current selling prices by third parties and quoted trading prices for the same or similar products, and internal data, such as the Company s current ask price and expectations on normal margins. If the evaluation indicates that the Company s inventory is being carried at values higher than the current market can support, the Company will write down its inventory to its best estimate of net realizable value.

Employee Benefit Plans

The Company provides all full-time, non-retail employees with pension benefits and full-time employees hired before January 1, 2003 with postretirement health care benefits. In order to measure the expense and funded status of these employee benefit plans, management makes several estimates and assumptions, including interest rates used to discount certain liabilities, rates of return on assets set aside to fund these plans, rates of compensation increases, employee turnover rates, anticipated mortality rates and anticipated future healthcare cost trends. These estimates and assumptions are based on the Company s historical experience combined with management s knowledge and understanding of current facts and circumstances. If management used different estimates and assumptions regarding these plans, the funded status of the plans could vary significantly and the Company could recognize different amounts of expense over future periods. In 2009, the Company s defined benefit pension plans were frozen effective July 1, 2010.

Taxes

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax rate and in evaluating our tax positions. We establish reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions are likely to be challenged and that we may not prevail. We adjust these reserves in light of changing facts and circumstances, such as the progress of a tax audit. An estimated effective tax rate for a year is applied to our quarterly operating results. In the event there is a significant or unusual item recognized in our quarterly operating results, the tax attributable to that item is separately calculated and recorded at the same time as that item.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

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

Commodity Prices

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

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

	December 31,	
(in thousands)	**2009**	**2008**
Net long (short) position	**$3,848**	$(325)
Market risk	**385**	(33)

Interest Rates

The fair value of the Company s long-term debt is estimated using quoted market prices or discounted future cash flows based on the Company s current incremental borrowing rates and credit ratings for similar types of borrowing arrangements. In addition, the Company has derivative interest rate contracts recorded in its balance sheet at their fair value. The fair value of these contracts is estimated based on quoted market termination values. Market risk, which is estimated as the potential increase in fair value resulting from a hypothetical one-half percent decrease in interest rates, is summarized below:

	December 31,	
(in thousands)	**2009**	**2008**
Fair value of long-term debt and interest rate contracts	**$327,412**	$356,776
Fair value in excess of (less than) carrying value	**6,688**	(7,342)
Market risk	**(3,344)**	9,899

Item 8. Financial Statements and Supplementary Data

The Andersons, Inc.

Index to Financial Statements

Management s Report on Internal Control Over Financial Reporting

The management of The Andersons, Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s financial statements for external reporting purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2009. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework*. Based on the results of this assessment and on those criteria, management concluded that, as of December 31, 2009, the Company s internal control over financial reporting was effective.

The Company s independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the Company s internal control over financial reporting as of December 31, 2009, as stated in their report which follows in Item 8 of this Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
of The Andersons, Inc.:

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of The Andersons, Inc. and its subsidiaries at December 31, 2009 and December 31, 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We did not audit the financial statements of Lansing Trade Group, LLC, an entity in which The Andersons, Inc. has an investment in and accounts for under the equity method of accounting, and for which The Andersons, Inc. recorded $5.781 million and $8.776 million of equity in earnings of affiliates for the years ended December 31, 2009 and December 31, 2008, respectively. The financial statements of Lansing Trade Group, LLC as of December 31, 2009 and December 31, 2008 and for each the years then ended were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements of The Andersons, Inc. as of December 31, 2009 and December 31, 2008 and for the years ended December 31, 2009 and December 31, 2008 expressed herein, insofar as it relates to the amounts included for Lansing Trade Group, LLC, is based solely on the report of the other auditors. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for noncontrolling interest in 2009.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Toledo, Ohio
February 26, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Lansing Trade Group, LLC
Overland Park, Kansas

We have audited the consolidated balance sheet of Lansing Trade Group, LLC and Subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of income and other comprehensive income, members equity and cash flows for the year then ended (not included herein). These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As disclosed in Note 1, during 2009 the Company changed its method of presentation of certain derivative instruments and adopted new accounting guidance applicable to the reporting of noncontrolling interests.

/s/ Crowe Chizek and Company LLP

Crowe Chizek and Company LLP

Elkhart, Indiana
February 19, 2010

The Andersons, Inc.
Consolidated Statements of Income

(in thousands, except per common share data)	Year ended December 31, 2009	2008	2007
Sales and merchandising revenues	**$3,025,304**	$3,489,478	$2,379,059
Cost of sales and merchandising revenues	**2,769,798**	3,231,649	2,139,347
Gross profit	**255,506**	257,829	239,712
Operating, administrative and general expenses	**199,116**	190,230	169,753
Interest expense	**20,688**	31,239	19,048
Other income:			
Equity in earnings of affiliates	**17,463**	4,033	31,863
Other income net	**8,331**	6,170	21,731
Income before income taxes	**61,496**	46,563	104,505
Income tax provision	**21,930**	16,466	37,077
Net income	**39,566**	30,097	67,428
Net (income) loss attributable to the noncontrolling interest	**(1,215)**	2,803	1,356
Net income attributable to The Andersons, Inc.	**$ 38,351**	$ 32,900	$ 68,784
Per common share:			
Basic earnings	**$ 2.10**	$ 1.82	$ 3.85
Diluted earnings	**$ 2.08**	$ 1.79	$ 3.75
Dividends paid	**$ 0.3475**	$ 0.325	$ 0.220

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Consolidated Balance Sheets

(in thousands)	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	**$ 145,929**	$ 81,682
Restricted cash	**3,123**	3,927
Accounts and notes receivable, less allowance for doubtful accounts of $8,753 in 2009; $13,584 in 2008	**137,195**	126,255
Margin deposits, net	**27,012**	13,094
Inventories	**407,845**	436,920
Commodity derivative assets current	**24,255**	84,919
Deferred income taxes	**13,284**	15,338
Prepaid expenses and other current assets	**28,180**	93,827
Total current assets	**786,823**	855,962
Other assets:		
Commodity derivative assets noncurrent	**3,137**	3,662
Other assets and notes receivable, less allowance for doubtful notes receivable of $7,950 in 2009; $134 in 2008	**25,629**	12,433
Investments in and advances to affiliates	**157,360**	141,055
	186,126	157,150
Railcar assets leased to others, net	**179,154**	174,132
Property, plant and equipment, net	**132,288**	121,529
Total assets	**$1,284,391**	$1,308,773
Liabilities and Shareholders equity		
Current liabilities:		
Accounts payable for grain	**$ 234,396**	$ 216,307
Other accounts payable	**110,658**	97,770
Customer prepayments and deferred revenue	**56,698**	55,953
Commodity derivative liabilities current	**24,871**	67,055
Accrued expenses and other current liabilities	**41,563**	60,437
Current maturities of long-term debt non-recourse	**5,080**	13,147
Current maturities of long-term debt	**5,855**	14,594
Total current liabilities	**479,121**	525,263
Deferred income and other long-term liabilities	**16,051**	12,977
Commodity derivative liabilities noncurrent	**830**	3,706
Employee benefit plan obligations	**24,949**	35,513
Long-term debt non-recourse, less current maturities	**19,270**	40,055
Long-term debt, less current maturities	**288,756**	293,955
Deferred income taxes	**49,138**	32,197

Total liabilities	**878,115**	943,666
Shareholders equity:		
Common shares, without par value, 25,000 shares authorized; 19,198 shares issued	**96**	96
Preferred shares, without par value, 1,000 shares authorized; none issued		
Additional paid-in capital	**175,477**	173,393
Treasury shares, at cost (918 in 2009; 1,069 in 2008)	**(15,554)**	(16,737)
Accumulated other comprehensive loss	**(25,314)**	(30,046)
Retained earnings	**258,662**	226,707
Total shareholders equity of The Andersons, Inc.	**393,367**	353,413
Noncontrolling interest	**12,909**	11,694
Total shareholders equity	**406,276**	365,107
Total liabilities and shareholders equity	**$1,284,391**	$1,308,773

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Consolidated Statements of Cash Flows

(in thousands)	Year ended December 31 2009	2008	2007
Operating activities			
Net income	**$ 39,566**	$ 30,097	$ 67,428
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	**36,020**	29,767	26,253
Bad debt expense	**4,973**	8,710	3,267
Equity in earnings of unconsolidated affiliates, net of distributions received	**(15,105)**	19,307	(23,583)
Gains on sales of railcars and related leases	**(1,758)**	(4,040)	(8,103)
Excess tax benefit from share-based payment arrangement	**(566)**	(2,620)	(5,399)
Deferred income taxes	**16,430**	4,124	5,274
Gain from pension plan curtailment	**(4,132)**		
Stock based compensation expense	**2,747**	4,050	4,374
Gain on donation of equity securities			(4,773)
Lower of cost or market inventory and contract adjustment	**2,944**	97,268	
Other	**186**	58	1,734
Changes in operating assets and liabilities:			
Accounts and notes receivable	**(15,259)**	(23,460)	(21,826)
Inventories	**32,227**	3,074	(206,447)
Commodity derivatives and margin deposits	**2,211**	102,818	(79,534)
Prepaid expenses and other assets	**62,242**	(56,939)	(12,849)
Accounts payable for grain	**18,089**	72,648	47,564
Other accounts payable and accrued expenses	**(574)**	(6,198)	48,225
Net cash provided by (used in) operating activities	**180,241**	278,664	(158,395)
Investing activities			
Acquisition of businesses, net of cash acquired	**(30,480)**	(18,920)	
Purchases of property, plant and equipment	**(16,560)**	(20,315)	(20,346)
Purchases of railcars	**(24,965)**	(97,989)	(56,014)
Proceeds from sale and disposition of railcars and related leases	**8,453**	68,456	47,263
Proceeds from sale of property, plant and equipment and other	**1,343**	(21)	1,847
Proceeds received from minority interest		2,278	13,575
Investment in affiliates	**(1,200)**	(41,450)	(36,249)
Net cash used in investing activities	**(63,409)**	(107,961)	(49,924)
Financing activities			
Net increase (decrease) in short-term borrowings		(245,500)	170,500
Proceeds from issuance of long-term debt	**9,523**	220,827	56,892
Proceeds from issuance of non-recourse, securitized long-term debt			835
Payments of long-term debt	**(23,497)**	(65,293)	(9,999)

Payments of non-recourse, securitized long-term debt	**(28,852)**	(16,797)	(15,831)
Payment of debt issuance costs	**(4,500)**	(2,283)	
Purchase of treasury stock	**(229)**	(924)	
Proceeds from issuance of treasury shares under stock compensation plans	**750**	1,914	3,354
Excess tax benefit from share-based payment arrangement	**566**	2,620	5,399
Dividends paid	**(6,346)**	(5,885)	(3,929)
Net cash (used in) provided by financing activities	**(52,585)**	(111,321)	207,221
Increase (decrease) in cash and cash equivalents	**64,247**	59,382	(1,098)
Cash and cash equivalents at beginning of year	**81,682**	22,300	23,398
Cash and cash equivalents at end of year	**$145,929**	$ 81,682	$ 22,300

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Consolidated Statements of Shareholders Equity

(in thousands, except per share data)	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interest	Total
Balances at January 1, 2007	$96	$159,941	$(16,053)	$ (9,735)	$135,926		$270,175
Net income					68,784	(1,356)	67,428
Other comprehensive income:							
Unrecognized actuarial loss and prior service costs (net of income tax of $3,102)				5,281			5,281
Cash flow hedge activity (net of income tax of $149)				(254)			(254)
Unrealized gains on investment (net of income tax of $305)				519			519
Disposal of equity securities (net of income tax of $1,766)				(3,008)			(3,008)
Comprehensive income							69,966
Impact of adoption of ASC 70					(383)		(383)
Proceeds received from minority investor						13,575	13,575
Stock awards, stock option exercises, and other shares issued to employees and directors, net of income tax of $5,567 (297 shares)		8,345	(617)				7,728
Dividends declared ($0.25 per common share)					(4,478)		(4,478)
Balances at December 31, 2007	96	168,286	(16,670)	(7,197)	199,849	12,219	356,583
Net income					32,900	(2,803)	30,097
Other comprehensive income:							
Unrecognized actuarial loss and prior service costs (net of income tax of $12,968)				(22,328)			(22,328)
Cash flow hedge activity (net of income tax of $0.3)				(521)			(521)
Comprehensive income							7,248
Purchase of treasury shares (77 shares)			(924)				(924)
Proceeds received from minority investor						2,278	2,278
		5,107	857				5,964

Stock awards, stock option exercises, and other shares issued to employees and directors, net of income tax of $2,485 (203 shares)							
Dividends declared ($0.3325 per common share)					(6,042)		(6,042)
Balances at December 31, 2008	96	173,393	(16,737)	(30,046)	226,707	11,694	365,107
Net income					**38,351**	**1,215**	**39,566**
Other comprehensive income:							
Unrecognized actuarial loss and prior service costs (net of income tax of $2,431)				**4,491**			**4,491**
Cash flow hedge activity (net of income tax of $0.1)				**241**			**241**
Comprehensive income							**44,298**
Purchase of treasury shares (20 shares)			**(229)**				**(229)**
Stock awards, stock option exercises, and other shares issued to employees and directors, net of income tax of $826 (171 shares)		**2,084**	**1,412**				**3,496**
Dividends declared ($0.3475 per common share)					**(6,396)**		**(6,396)**
Balances at December 31, 2009	**$96**	**$175,477**	**$(15,554)**	**$(25,314)**	**$258,662**	**$12,909**	**$406,276**

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Consolidation

These consolidated financial statements include the accounts of The Andersons, Inc. and its majority owned subsidiaries (the Company). All significant intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated entities in which the Company has significant influence, but not control, are accounted for using the equity method of accounting.

In the opinion of management, all adjustments consisting of normal recurring items, considered necessary for a fair presentation of the results of operations for the periods indicated, have been made. The Company has evaluated subsequent events through the date of issuance, which is February 26, 2010.

ASC 810 became effective for the Company during the first quarter of 2009 and established the accounting and reporting standards for a noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The noncontrolling interest in a subsidiary is presented within equity, separate from the parent s equity. In addition, the amount of consolidated net income attributable to the parent and the noncontrolling interest must be clearly identified and presented on the face of the income statement with the caption net income being defined as net income attributable to the consolidated group. Prior periods have been revised to reflect the current presentation.

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

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an initial maturity of three months or less. The carrying values of these assets approximate their fair values.

Restricted cash is held as collateral for certain of the Company s debt described in Note 7.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and may bear interest if past due. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We review our allowance for doubtful accounts quarterly. Past due balances over 90 days, and greater than a specified amount, are reviewed individually for collectibility. All other balances are reviewed on a pooled basis.

Account balances are charged off against the allowance when it becomes more certain that the receivable will not be recovered.

Inventories and Commodity Derivatives

The Company s operating results can be affected by changes to commodity prices. To reduce the exposure to market price risk on grain owned and forward grain and ethanol purchase and sale contracts, the Company enters into regulated commodity futures and options contracts as well as over-the-counter contracts for ethanol, corn, soybeans, wheat and oats. All of these contracts are considered derivatives. The Company records these commodity contracts on the balance sheet as assets or liabilities as appropriate, and accounts for them at fair value using a daily mark-to-market method, the same method it uses to value grain inventory. Management determines fair value based on exchange-quoted prices, adjusted for differences in local markets, and in the case of derivatives, also considers non-performance risk. Company policy limits the Company s unhedged grain position (the amount of grain, either owned or contracted for, that is not offset by a derivative contract for the sale of grain+). While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges. Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices, changes in performance or credit risk, or due to sale, maturity or extinguishment of the commodity contract) and grain inventories are included in sales and merchandising revenues in the statements of income. The forward contracts require performance in future periods. Contracts to purchase grain from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of grain to processors or other consumers generally do not extend beyond one year. The terms of contracts for the purchase and sale of grain are consistent with industry standards. Additional information about the fair value of the Company s commodity derivatives is presented in Note 4 to the consolidated financial statements.

All other inventories are stated at the lower of cost or market. Cost is determined by the average cost method.

Master Netting Arrangements

Generally accepted accounting principles permit a party to a master netting arrangement to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or obligation to return cash collateral under the same master netting arrangement. The Company has master netting arrangements for its exchange traded futures and options contracts and certain over-the-counter contracts. When the Company enters into a futures, options or an over-the-counter contract, an initial margin deposit may be required by the counterparty. The amount of the margin deposit varies by commodity. If the market price of a future, option or an over-the-counter contract moves in a direction that is adverse to the Company s position, an additional margin deposit, called a maintenance margin, is required. The Company nets, by counterparty, its futures and over-the-counter positions against the cash collateral provided or received. The net position is recorded within margin deposits or other accounts payable depending on whether the net position is an asset or a liability. At December 31, 2009 and December 31, 2008, the margin deposit assets and margin deposit liabilities consisted of the following:

	December 31, 2009		**December 31, 2008**	
(in thousands)	**Margin deposit assets**	**Margin deposit liabilities**	**Margin deposit assets**	**Margin deposit liabilities**
Collateral paid	$ 40,190	$ 2,228	$ 26,023	$
Collateral received				(5,858)
Fair value of derivatives	(13,178)	(4,193)	(12,929)	4,080
Balance at end of period	$ 27,012	$(1,965)	$ 13,094	$(1,778)

Marketing Agreement

The Company has negotiated a marketing agreement that covers certain of its grain facilities (some of which are leased from Cargill). Under this five-year amended and restated agreement (ending in May 2013), the Company sells grain from these facilities to Cargill at market prices. Income earned from operating the facilities (including buying, storing and selling grain and providing grain marketing services to its producer customers) over a specified threshold is shared 50/50 with Cargill. Measurement of this threshold is made on a cumulative basis and cash is paid to Cargill (if required) at the end of the contract . The Company recognizes its share of income every month and accrues for any payment owed Cargill.

Derivatives Interest Rate and Foreign Currency Contracts

The Company periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. The Company has a long-term interest rate swap recorded in other long-term liabilities and a foreign currency collar recorded in other assets and has designated them as cash flow hedges; accordingly, changes in the fair value of these instruments are recognized in other comprehensive income. The Company has other interest rate contracts that are not designated as hedges. While the Company considers all of its derivative positions to be effective economic hedges of specified risks, these interest rate contracts for which we do not apply hedge accounting are recorded on the balance sheet in prepaid expenses and other assets or current and long-term liabilities, as appropriate, and changes in fair value are recognized currently in income as interest expense. Upon termination of a derivative instrument or a change in the hedged item, any remaining fair value recorded on the balance sheet is recorded as interest expense in line with the cash flows associated with underlying hedged item.

Railcars

The Company s Rail Group purchases, leases, markets and manages railcars for third parties and for internal use. Railcars to which the Company holds title are shown on the balance sheet in one of two categories prepaid expenses and other current assets (for railcars that are available for sale) or railcar assets leased to others. Railcars leased to others, both on short- and long-term leases, are classified as long-term assets and are depreciated over their estimated useful lives.

Railcars have statutory lives of either 40 or 50 years (measured from the date built) depending on type and year built and are depreciated based on 80% of the railcars remaining useful life.

Property, Plant and Equipment

Property, plant and equipment is carried at cost. Repairs and maintenance are charged to expense as incurred, while betterments that extend useful lives are capitalized. Depreciation is provided over the estimated useful lives of the individual assets, principally by the straight-line method. Estimated useful lives are generally as follows: land improvements and leasehold improvements - the shorter of the lease term or the estimated useful life of the improvement; buildings and storage facilities 20 to 30 years; machinery and equipment 3 to 20 years; and software 3 to 10 years. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts, with any gain or loss realized upon sale or disposal credited or charged to operations.

Deferred Debt Issue Costs

Costs associated with the issuance of long-term debt are capitalized. These costs are amortized using an interest-method equivalent over the earlier of the stated term of the debt or the period from the issue date through the first early payoff date without penalty, if any. Capitalized costs associated with the short-term syndication agreement are amortized over the term of the syndication.

Intangible Assets and Goodwill

Intangible assets are recorded at cost, less accumulated amortization. Amortization of intangible assets is provided over their estimated useful lives (generally 5 to 10 years) on the straight-line method. Goodwill is not amortized but is subject to annual impairment tests, or more often when events or circumstances indicate that the carrying amount of goodwill may be impaired. A goodwill impairment loss is recognized to the extent the carrying amount of goodwill exceeds the implied fair value of goodwill.

Impairment of Long-lived Assets

Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of the assets to the undiscounted future net cash flows the Company expects to generate with the asset. If such assets are considered to be impaired, the Company recognizes impairment expense for the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Accounts Payable for Grain

Accounts payable for grain includes certain amounts related to grain purchases for which, even though we have taken ownership and possession of the grain, the final purchase price has not been established (delayed price contracts). Amounts recorded for such delayed price contracts are determined on the basis of grain market prices at the balance sheet date in a similar manner for which we value our inventory. At December 31, 2009 and 2008, the amount of accounts payable for grain computed on the basis of market prices was $56.9 million and $71.0 million, respectively.

Stock-Based Compensation

Stock-based compensation expense for all stock-based compensation awards are based on the estimated grant-date fair value. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award.

Deferred Compensation Liability

Included in accrued expenses are $5.3 million and $4.2 million at December 31, 2009 and 2008, respectively, of deferred compensation for certain employees who, due to Internal Revenue Service guidelines, may not take full advantage of the Company s qualified defined contribution plan. Assets funding this plan are recorded at fair value and are equal to the value of this liability. This plan has no impact on income.

Revenue Recognition

Sales of grain and ethanol are primarily recognized at the time of shipment, which is when title and risk of loss transfers to the customer. Direct ship grain sales (where the Company never takes physical possession of the grain) are recognized when the grain arrives at the customer s facility. Revenues from other grain and ethanol merchandising activities are recognized as services are provided; grain inventory as well as commodity derivative gains and losses are recognized into revenue on a daily basis when these positions are marked-to-market. Sales of other products are recognized at the time title and risk of loss transfers to the customer, which is generally at the time of shipment or, in the case of retail store sales, when the customer takes possession of the goods. Revenues for all other services are recognized as the service is provided.

Rental revenues on operating leases are recognized on a straight-line basis over the term of the lease. Sales to financial intermediaries of owned railcars which are subject to an operating lease (with the Company being the lessor in such operating leases prior to the sale, referred to as a non-recourse transaction) are recognized as revenue on the date of sale if the Company does not maintain substantial risk of ownership in the sold railcars. Revenues recognized related to these non-recourse transactions totaled $3.8 million in 2009 and $22.3 million in both 2008 and 2007. Revenue related to railcar servicing and maintenance contracts is recognized over the term of the lease or service contract.

Certain of the Company s operations provide for customer billings, deposits or prepayments for product that is stored at the Company s facilities. The sales and gross profit related to these transactions is not recognized until the product is shipped in accordance with the previously stated revenue recognition policy and these amounts are classified as a current liability titled Customer prepayments and deferred revenue.

Sales returns and allowances are provided for at the time sales are recorded. Shipping and handling costs are included in cost of sales. Sales taxes and motor fuel taxes on ethanol sales are presented on a net basis and are excluded from revenues. In all cases, revenues are recognized only if collectibility is reasonably assured at the time the revenue is recorded.

Rail Lease Accounting

In addition to the sale of railcars the Company makes to financial intermediaries on a non-recourse basis and recorded as revenue as discussed above, the Company also acts as the lessor and/or the lessee in various leasing arrangements as described below.

The Company s Rail Group leases railcars and locomotives to customers, manages railcars for third parties and leases railcars for internal use. The Company acts as the lessor in various operating leases of railcars that are owned by the Company, or leased by the Company from financial intermediaries and, in turn, leased by the Company to end-users of the railcars. The leases from financial intermediaries are generally structured as sale-leaseback transactions, with the leaseback by the Company being treated as an operating lease.

Certain of the Company s leases include monthly lease fees that are contingent upon some measure of usage (per diem leases). This monthly usage is tracked, billed and collected by third party service providers and funds are generally remitted to the Company along with usage data three months after they are earned. Typically, the lease term related to per-diem leases is one year or less. The Company records lease revenue for these per diem arrangements based on recent historical usage patterns and records a true up adjustment when the actual data is received. Such true-up adjustments were not significant for any period presented.

The Company expenses operating lease payments on a straight-line basis over the lease term.

Income Taxes

Income tax expense for each period includes current tax expense (income taxes related to current year activity) plus the change in deferred income tax assets and liabilities. Deferred income taxes are provided for temporary differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws governing periods in which the differences are expected to reverse. The Company evaluates the realizability of deferred tax assets and provides a valuation allowance for amounts that management does not believe are more likely than not to be recoverable, as applicable.

Accumulated Other Comprehensive Loss

The balance in accumulated other comprehensive loss at December 31, 2009 and 2008 consists of the following:

	December 31,	
	2009	**2008**
Unrecognized actuarial loss and prior service costs	**$(24,370)**	$(28,862)
Cash flow hedges	**(944)**	(1,184)
	$(25,314)	$(30,046)

Research and Development

Research and development costs are expensed as incurred. The Company s research and development program is mainly involved with the development of improved products and processes, primarily for the Turf & Specialty Group. The Company expended approximately $1.4 million, $0.5 million and $0.6 million on research and development activities during 2009, 2008 and 2007, respectively. In 2008, the Company, along with several partners, was awarded a $5 million grant from the Ohio Third Frontier Commission. The grant is for the development and commercialization of advanced granules and other emerging technologies to provide solutions for the economic health and environmental concerns of today s agricultural industry. For the years ended December 31, 2009 and 2008, the Company received $0.9 million and $0.1 million, respectively, as part of this grant.

Advertising

Advertising costs are expensed as incurred. Advertising expense of $4.0 million, $4.2 million and $4.4 million in 2009, 2008, and 2007, respectively, is included in operating, administrative and general expenses.

Earnings per Share

Unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. The Company s nonvested restricted stock are considered participating securities since the share-based awards contain a non-forfeitable right to dividends irrespective of whether the awards ultimately vest. The two-class method became effective for the Company for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those years. The adoption of the two class method did not reduce the reported amounts of basic or diluted earnings per share for year ended December 31, 2008 or the diluted earnings per share of the year ended December 31, 2007. The adoption of the two class method did reduce the reported amount of basic earnings per share for the year ended December 31, 2007 by $0.01 per share.

		Year ended December 31,	
(in thousands)	**2009**	**2008**	**2007**
Net income attributable to The Andersons, Inc.	**$38,351**	$32,900	$68,784
Less: Distributed and undistributed earnings allocated to nonvested restricted stock	**122**	90	138
Earnings available to common shareholders	**$38,229**	$32,810	$68,646
Earnings per share basic:			
Weighted average shares outstanding basic	**18,190**	18,068	17,833
Earnings per common share basic	**$ 2.10**	$ 1.82	$ 3.85
Earnings per share diluted:			
Weighted average shares outstanding basic	**18,190**	18,068	17,833
Effect of dilutive options	**179**	295	460
Weighted average shares outstanding diluted	**18,369**	18,363	18,293
Earnings per common share diluted	**$ 2.08**	$ 1.79	$ 3.75

There were no antidilutive equity instruments at December 31, 2009, 2008 or 2007.

New Accounting Standards

In May 2009, the FASB issued ASC 855 Subsequent Events . ASC 855 requires entities to evaluate subsequent events through the date that the financial statements are issued or are available to be issued. A Company must disclose within their Quarterly Reports on Form 10Q and Annual Report on Form 10K the date through which subsequent events have been evaluated. This ASC became effective during the second quarter ended June 30, 2009 and the Company has provided the required disclosures.

In June 2009, the FASB issued ASC 810 Consolidation . ASC 810 amends the analysis an entity must perform to determine if it has a controlling financial interest in a variable interest entity (VIE). ASC 810 provides that the primary beneficiary of a VIE must have both of the following characteristics:

The power to direct the activities of the VIE that most significantly impact the VIE s economic performance.

The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

ASC 810 is effective for the Company beginning January 1, 2010. The Company is in the process of finalizing its analysis, but currently has not identified any impact of this standard to the Company s historical conclusions or its financial statements.

2. Business Acquisitions

On August 1, 2009, the Company acquired the assets of the Fertilizer Division of Hartung Brothers, Inc. (HBI) for a purchase price of $30.5 million. HBI is a regional wholesale supplier of liquid fertilizers with six facilities located in Wisconsin and Minnesota. The goodwill recognized as a result of this acquisition is $4.3 million as it enhances the core business of the Company s Plant Nutrient Group and extends their market beyond the eastern corn belt.

The summarized purchase price allocation is as follows:

Inventory	$ 6,096
Customer list	3,500
Supply agreement	4,100
Goodwill	4,304
Property, plant and equipment	12,466
Other	14
Total purchase price	$ 30,480

Both the customer list and the supply agreement are being amortized over 10 years.

3. Equity Method Investments and Related Party Transactions

The Company, directly or indirectly, holds investments in companies that are accounted for under the equity method. The Company s equity in these entities is presented at cost plus its accumulated proportional share of income or loss, less any distributions it has received.

The Company has marketing agreements with three ethanol LLCs under which the Company purchases and markets the ethanol produced to external customers. As compensation for these marketing services, the Company earns a fee on each gallon of ethanol sold. For two of the LLCs, the Company purchases 100% of the ethanol produced and then sells it to external parties. For the third LLC, the Company buys only a portion of the ethanol produced. The Company acts as the principal in these ethanol sales transactions to external parties as the Company has ultimate responsibility of performance to the external parties. Substantially all of these purchases and subsequent sales are executed through forward contracts on matching terms and, outside of the fee the Company earns for each gallon sold, the Company does not recognize any gross profit on the sales transactions. For the years ended December 31, 2009, 2008 and 2007, revenues recognized for the sale of ethanol were $402.1 million, $454.6 million and $257.6 million, respectively. In addition to the ethanol marketing agreements, the Company holds corn origination agreements, under which the Company originates 100% of the corn used in production for each ethanol LLC. For this service, the Company receives a unit based fee. Similar to the ethanol sales described above, the Company acts as a principal in these transactions, and accordingly, records revenues on a gross basis. For the years ended December 31, 2009, 2008 and 2007, revenues recognized for the sale of corn under these agreements were $404.2 million, $411.2 million and $149.8 million, respectively. As part of the corn origination agreements, the Company also markets the ethanol co-product distillers dried grain (DDG) produced by the entities. For this service the Company receives a unit based fee. The Company does not purchase any of the DDG from the ethanol entities, however, as part of the agreement, the Company guarantees payment by the customer for DDG sales where the Company has identified the buyer. At December 31, 2009, the three ethanol entities had a combined receivable balance for DDG of $5.1 million, of which only $9 thousand was more than thirty days past due. The Company has concluded that the fair value of this guarantee is not material.

In January 2003, the Company became a minority investor in Lansing Trade Group LLC (LTG). LTG was formed in 2002 and focuses on trading commodity contracts as well as trading related to the energy and biofuels industry. As a result of share redemptions by LTG, the Company s interest in LTG increased to 51% during the fourth quarter of 2009. Even though the Company holds a majority of the outstanding shares, all major operating decisions of LTG are made by LTG s Board of Directors and the Company does not have a majority of the board seats. In addition, based on the terms of the operating agreement between LTG and its owners, the minority shareholders have substantive participating rights that allow them to effectively participate in the decisions made in the ordinary course of business that are significant to LTG. Due to these factors, the Company does not have control over LTG and therefore accounts for this investment under the equity method.

In 2005, the Company became a minority investor in The Andersons Albion Ethanol LLC (TAAE). TAAE is a producer of ethanol and its co-product distillers dried grains (DDG) at its 55 million gallon-per-year ethanol production facility in Albion, Michigan. The Company operates the facility under a management contract and provides corn origination, ethanol and DDG marketing and risk management services for which it is separately compensated. The Company also leases its Albion, Michigan grain facility to TAAE. The Company current holds a 49% interest in TAAE.

In 2006, the Company became a minority investor in The Andersons Clymers Ethanol LLC (TACE). TACE is a also a producer of ethanol and its co-product DDG at a 110 million gallon-per-year ethanol production facility in Clymers, Indiana. The Company operates the facility under a management contract and provides corn origination, ethanol and DDG marketing and risk management services for which it is separately compensated. The Company also leases its Clymers, Indiana grain facility to TACE.

In 2006, the Company became a 50% investor in The Andersons Marathon Ethanol LLC (TAME). TAME is also a producer of ethanol and its co-product DDG at a 110 million gallon-per-year ethanol production facility in Greenville, Ohio. In January 2007, the Company transferred its 50% share in TAME to The Andersons Ethanol Investment LLC (TAEI), a consolidated subsidiary of the Company, for which a third party owns 34% of the shares. The Company operates the facility under a management contract and provides corn origination, ethanol and DDG marketing and risk management services for which it is separately compensated. In 2009 TAEI invested an additional $1.1 million in TAME, retaining a 50% ownership interest.

The balance in retained earnings at December 31, 2009 that represents undistributed earnings of the Company s equity method investments is $25.3 million

The following table presents aggregate summarized financial information of LTG, TAAE, TACE and TAME as they qualified as significant subsidiaries for the previous periods. There were no equity method investments that qualified as a significant subsidiary for the year ended December 31, 2009.

	December 31,		
(in thousands)	2009	2008	2007
Sales	$3,436,192	$5,032,466	$3,879,659
Gross profit	106,755	86,522	129,729
Income from continuing operations	37,610	16,935	81,289
Net income	37,927	16,914	81,289
Current assets	472,385	570,747	
Non-current assets	363,779	356,530	
Current liabilities	372,743	471,853	
Non-current liabilities	121,927	150,717	
Noncontrolling interest	25,059	14,506	

The following table summarizes income earned from the Company s equity method investees by entity.

(in thousands)	% ownership at December 31, 2009 (direct and indirect)	2009	December 31, 2008	2007
The Andersons Albion Ethanol LLC	49%	**$ 5,735**	$ 2,534	$11,228
The Andersons Clymers Ethanol LLC	37%	**2,965**	8,112	7,744
The Andersons Marathon Ethanol LLC	50%	**2,936**	(15,511)	(1,950)
Lansing Trade Group LLC	51%	**5,781**	8,776	15,258
Other	5%-33%	**46**	122	(417)
Total		**$17,463**	$ 4,033	$31,863

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

	December 31,	
(in thousands)	2009	2008
The Andersons Albion Ethanol LLC	**$ 28,911**	$ 25,299
The Andersons Clymers Ethanol LLC	**33,705**	30,805
The Andersons Marathon Ethanol LLC	**33,813**	29,777
Lansing Trade Group LLC	**59,648**	54,025
Other	**1,283**	1,149
Total	**$157,360**	$141,055

In the ordinary course of business, the Company will enter into related party transactions with its equity method investees. The following table sets forth the related party transactions entered into for the time periods presented:

		December 31,	
(in thousands)	**2009**	**2008**	**2007**
Sales and revenues	**$474,724**	$541,448	$290,423
Purchases of product	**411,423**	428,067	248,375
Lease income (a)	**5,442**	5,751	4,884
Labor and benefits reimbursement (b)	**10,195**	9,800	6,358
Accounts receivable at December 31 (c)	**13,641**	9,773	8,985
Accounts payable at December 31 (d)	**18,069**	19,084	7,607

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

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

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

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

4. Fair Value Measurements

Generally accepted accounting principles defines fair value as an exit price and also establishes a framework for measuring fair value. An exit price represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering such assumptions, a three-tier fair value hierarchy should be used, which prioritizes the inputs used in measuring fair value as follows:

Level 1 inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 inputs: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3 inputs: Unobservable inputs (e.g., a reporting entity s own data).

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following table presents the Company s assets and liabilities that are measured at fair value on a recurring basis at December 31, 2009 and 2008.

(in thousands)		December 31, 2009		
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$145,929	$	$	$145,929
Commodity derivatives, net		(257)	1,948	1,691
Net margin deposit assets	28,836	(1,824)		27,012
Net margin deposit liabilities		(1,965)		(1,965)
Other assets and liabilities (a)	8,441		(1,763)	6,678
Total	$183,206	$(4,046)	$ 185	$179,345

(in thousands)		December 31, 2008		
Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 81,682	$	$	$ 81,682
Commodity derivatives, net		12,706	5,114	17,820
Net margin deposit assets	13,094			13,094
Net margin deposit liabilities		(1,778)		(1,778)
Other assets and liabilities (a)	13,303		(2,367)	10,936
Total	$108,079	$10,928	$ 2,747	$121,754

(a) Included in other assets and liabilities is restricted cash, interest rate and foreign currency derivatives and deferred compensation assets. At December 31, 2008, other assets and liabilities included assets held in a VEBA for healthcare benefits. The VEBA was closed in 2009.

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

(in thousands)	2009 Interest rate derivatives	2009 Commodity derivatives, net	2008 Interest rate derivatives	2008 Commodity derivatives, net
Asset (liability) at December 31,	$(2,367)	$ 5,114	$(1,167)	$ 5,561
Unrealized gains (losses) included in earnings	158	(2,944)	(526)	(246)
Unrealized loss included in other comprehensive income	354		(836)	
New contracts entered into	92		162	
Transfers from level 2		416		5,193
Contracts cancelled, transferred to accounts receivable		(638)		(5,394)
Asset (liability) at December 31,	$(1,763)	$ 1,948	$(2,367)	$ 5,114

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

The Company s net commodity derivatives primarily consist of contracts with producers or customers under which the future settlement date and bushels of commodities to be delivered (primarily wheat, corn, soybeans and ethanol) are fixed and under which the price may or may not be fixed. Depending on the specifics of the individual contracts, the fair value is derived from the futures or options prices on the Chicago Mercantile Exchange (CME) or the New York Mercantile Exchange (NYMEX) for similar commodities and delivery dates as well as observable quotes for local basis adjustments (the difference between the futures price and the local cash price). Although nonperformance risk, both of the Company and the counterparty, is present in each of these commodity contracts and is a component of the estimated fair values, based on the Company s historical experience with its producers and customers and the Company s knowledge of their businesses, we do not view non-performance risk to be a significant input to fair value for the majority of these commodity contracts. However, in situations where the Company believes that nonperformance risk is higher (based on past or present experience with a customer or knowledge of the customer s operations or financial condition), the Company classifies these commodity contracts as level 3 in the fair value hierarchy and, accordingly, records estimated fair value adjustments based on internal projections and views of these contracts.

Net margin deposit assets reflect the fair value of the futures and options contracts that the Company has through the CME, net of the cash collateral that the Company has in its margin account with them.

Net margin deposit liabilities reflect the fair value of the Company s over-the-counter contracts in a liability position with various financial institutions, net of the cash collateral that the Company has in its margin account with them. While these contracts themselves are not exchange-traded, the fair value of these contracts is estimated by reference to similar exchange-traded contracts. We do not consider nonperformance risk or credit risk on these contracts to be material. This determination is based on credit default rates, credit ratings and other available information.

5. Details of Certain Financial Statement Accounts

Inventories

Major classes of inventories are as follows:

(in thousands)	December 31, 2009	2008
Grain	**$268,648**	$223,107
Agricultural fertilizer and supplies	**80,194**	144,536
Lawn and garden fertilizer and corncob products	**32,036**	38,011
Retail merchandise	**24,066**	27,579
Railcar repair parts	**2,601**	3,317
Other	**300**	370
	$407,845	$436,920

Intangible assets and goodwill

The Company s intangible assets are included in other assets and are as follows:

(in thousands)	Group	Original Cost	Accumulated Amortization	Net Book Value
December 31, 2009				
Amortized intangible assets				
Acquired customer list	Rail	**$ 3,462**	**$ 3,267**	**$ 195**
Acquired customer list	Plant Nutrient	**3,846**	**251**	**3,595**
Acquired non-compete agreement	Plant Nutrient	**1,250**	**344**	**906**
Acquired marketing agreement	Plant Nutrient	**1,604**	**439**	**1,165**
Acquired supply agreement	Plant Nutrient	**4,846**	**386**	**4,460**
Patents and other	Various	**943**	**275**	**668**
		$15,951	**$ 4,962**	**$10,989**
December 31, 2008				
Amortized intangible assets				
Acquired customer list	Rail	$ 3,462	$ 3,165	$ 297
Acquired customer list	Plant Nutrient	346	36	310
Acquired non-compete agreement	Plant Nutrient	1,200	100	1,100
Acquired marketing agreement	Plant Nutrient	1,604	185	1,419
Acquired supply agreement	Plant Nutrient	746	86	660
Patents and other	Various	943	192	751
		$ 8,301	$ 3,764	$ 4,537

Amortization expense for intangible assets was $1.2 million, $1.1 million and $0.7 million for 2009, 2008 and 2007, respectively. Expected future annual amortization expense is as follows: 2010 through 2012 $1.5 million per year; 2013 $1.4 million; and 2014 $1.1 million.

The Company also has goodwill of $5.9 million included in other assets. Goodwill includes $0.1 million in the Grain & Ethanol Group, $5.1 million in the Plant Nutrient Group and $0.7 million in the Turf & Specialty Group.

Goodwill is tested annually for impairment. There were no goodwill impairment charges for any of the periods presented.

Property, plant and equipment

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

	December 31,	
(in thousands)	**2009**	**2008**
Land	**$ 15,191**	$ 14,524
Land improvements and leasehold improvements	**42,495**	39,040
Buildings and storage facilities	**129,625**	119,174
Machinery and equipment	**162,810**	151,401
Software	**10,202**	8,899
Construction in progress	**2,624**	6,597
	362,947	339,635
Less accumulated depreciation and amortization	**230,659**	218,106
	$132,288	$121,529

Depreciation expense on property, plant and equipment amounted to $17.4 million, $14.6 million and $12.5 million in 2009, 2008 and 2007, respectively.

Railcars

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

	December 31,	
(in thousands)	**2009**	**2008**
Railcar assets leased to others	**$241,681**	$224,691
Less accumulated depreciation	**62,527**	50,559
	$179,154	$174,132

Depreciation expense on railcar assets leased to others amounted to $14.1 million, $12.2 million and $12.4 million in 2009, 2008 and 2007, respectively.

6. Short-Term Borrowing Arrangements

The Company maintains a borrowing arrangement with a syndicate of banks. The current arrangement, which was initially entered into in 2002 and most recently amended in April 2009, provides the Company with $490 million in short-term lines of credit and $85 million in long-term lines of credit. It also provides the Company with $90 million in letters of credit. Any amounts outstanding on letters of credit will reduce the amount available on the lines of credit. The Company had standby letters of credit outstanding of $14.1 million at December 31, 2009. This agreement expires in September 2011. At both December 31, 2009 and 2008, there were no borrowings outstanding under the line of credit. Borrowings under the lines of credit bear interest at variable interest rates, which are based on LIBOR, the prime rate or the federal funds rate, plus a spread. The terms of the borrowing agreement provide for annual commitment fees.

The following information relates to short-term borrowings:

(in thousands, except percentages)	December 31, 2009	2008	2007
Maximum amount borrowed	**$92,700**	$666,900	$321,500
Weighted average interest rate	**2.89%**	3.48%	5.69%

7. Long-Term Debt

Recourse Debt

Long-term debt consists of the following:

(in thousands, except percentages)	December 31, 2009	2008
Note payable, 4.8%, payable at maturity, due 2011	**$ 92,000**	$ 92,000
Note payable, 6.12%, payable at maturity, due 2015	**61,500**	61,500
Note payable, 6.78%, payable at maturity due 2018	**41,500**	41,500
Note payable, 6.46%, payable $143 monthly, due 2012 (a)	**11,252**	12,568
Note payable, 6.95%, payable $317 quarterly plus interest		8,856
Note payable, variable rate (0.5% at December 31, 2009), payable in increasing amounts ($850 annually at December 31, 2009) plus interest, due 2023 (a)	**15,440**	16,240
Note payable, variable rate (1.04% at December 13, 2009), payable $58 monthly plus interest, due 2016 (a)	**11,550**	12,250
Note payable, 6.48%, payable $291 quarterly, due 2016 (a)	**6,607**	7,475
Note payable, 4.64%, payable $67 monthly		1,969
Note payable, 4.60%, payable $235 quarterly		4,726
Note payable, 8.5%, payable $15 monthly, due 2016	**1,309**	1,372
Industrial development revenue bonds:		
Variable rate (0.35% at December 31, 2009), due 2019	**4,650**	4,650
Variable rate (0.67% at December 31, 2009), due 2025	**3,100**	3,100
Debenture bonds, 5.00% to 8.00%, due 2010 through 2019	**45,595**	39,465
Other notes payable and bonds	**108**	878
	294,611	308,549
Less current maturities	**5,855**	14,594
	$288,756	$293,955

(a) debt is collateralized by first mortgages on certain facilities and related equipment with a book value of $26.5 million

At December 31, 2009, the Company had $3.9 million of five-year term debenture bonds bearing interest at 5.0% and $1.0 million of ten-year term debenture bonds bearing interest at 6.0% available for sale under an existing registration statement.

The Company s short-term and long-term borrowing agreements include both financial and non-financial covenants that, among other things, require the Company at a minimum to:

maintain minimum working capital of $55.0 million and net equity (as defined) of $125 million;

limit the incurrence of new long-term recourse debt; and

restrict the amount of dividends paid.

The Company was in compliance with all covenants at and during the years ended December 31, 2009 and 2008.

The aggregate annual maturities of long-term debt, including capital lease obligations, are as follows: 2010 $5.9 million; 2011 $99.1 million; 2012 $17.5 million; 2013 $10.1 million; 2014 $12.3 million; and $149.7 million thereafter.

Non-Recourse Debt

The Company s non-recourse long-term debt consists of the following:

(in thousands, except percentages)	December 31, 2009	2008
Class A-2 Railcar Notes, 4.57%, payable $700 monthly plus interest	**$**	$16,271
Class B Railcar Notes, 14.00%, payable $50 monthly plus interest		2,350
Note Payable, 5.95%, payable $420 monthly, due 2013	**21,641**	31,274
Note Payable, 6.37%, payable $28 monthly, due 2014	**1,640**	1,953
Notes Payable, 5.98%-7.08%, payable $28 monthly, due 2010-2011	**1,069**	1,354
	24,350	53,202
Less current maturities	**5,080**	13,147
	$19,270	$40,055

In 2005 The Andersons Rail Operating I (TARO I), a wholly-owned subsidiary of the Company, issued $41 million in non-recourse long-term debt for the purpose of purchasing 2,293 railcars and related leases from the Company. As of March 31, 2009, the Company had violated the utilization covenant and debt service coverage ratio covenant associated with this debt. This covenant violation did not trigger any cross default provisions under any other debt agreements. The Company received a waiver of this violation and in April 2009, the Company paid an additional $4.0 million to the bank in principal payments. Based on the arrangement with the lender, this additional payment resulted in the exclusion of idle cars from the utilization and debt service coverage ratio calculation. The Company received a modification from the bank of this debt agreement which reduces the debt service coverage ratio from 1.5 to 1.15. With the modification, the Company does not expect to violate this covenant in the future. TARO I is a bankruptcy remote entity and the debt holders have recourse only to the assets and related leases of TARO I which had a book value of $20.8 million at December 31, 2009. The balance outstanding on the TARO I non-recourse long-term debt at December 31, 2009 was $21.6 million.

During the fourth quarter of 2009, the Company paid the remaining principal balance on its note payable held by TOP CAT Holding Company LLC, a wholly-owned subsidiary of the Company. The original maturity date of these notes payable was 2019, and the Company did not recognize any gain or loss on this early debt repayment.

The Company s non-recourse debt includes separate financial covenants relating solely to the collateralized assets. Triggering one or more of these covenants for a specified period of time could result in the acceleration in amortization of the outstanding debt. These maximum covenants include, but are not limited to, the following:

Monthly average lease rate greater than or equal to $200;

Monthly utilization rate greater than or equal to 80%; and

Coverage ratio greater than or equal to 1.15

The Company was in compliance with these debt covenants at December 31, 2009 and 2008.

The aggregate annual maturities of non-recourse, long-term debt are as follows: 2010 $5.1 million; 2011 $4.3 million; 2012 $4.6 million; 2013 $9.6 million and 2014 $0.8 million.

Interest paid (including interest on short-term lines of credit) amounted to $20.0 million, $28.1 million and $17.2 million in 2009, 2008 and 2007, respectively.

8. Income Taxes

Income tax provision applicable to continuing operations consists of the following:

	Year ended December 31		
(in thousands)	**2009**	**2008**	**2007**
Current:			
Federal	**$ 4,848**	$11,441	$27,656
State and local	**828**	(31)	3,149
Foreign	**(176)**	932	999
	$ 5,500	$12,342	$31,804
Deferred:			
Federal	**$15,638**	$ 4,110	$ 4,975
State and local	**1,833**	(121)	302
Foreign	**(1,041)**	135	(4)
	$16,430	$ 4,124	$ 5,273
Total:			
Federal	**$20,486**	$15,551	$32,631
State and local	**2,661**	(152)	3,451
Foreign	**(1,217)**	1,067	995
	$21,930	$16,466	$37,077

Income before income taxes from continuing operations consists of the following:

	Year ended December 31		
(in thousands)	**2009**	**2008**	**2007**
U.S. income	**$64,359**	$43,086	$101,762
Foreign	**(2,863)**	3,477	2,743

	$61,496	$46,563	$104,505

A reconciliation from the statutory U.S. federal tax rate to the effective tax rate follows:

	Year ended December 31		
	2009	**2008**	**2007**
Statutory U.S. federal tax rate	**35.0%**	35.0%	35.0%
Increase (decrease) in rate resulting from:			
Effect of qualified domestic production deduction	**(0.4)**	(0.2)	(0.6)
Effect of charitable contribution of appreciated property			(1.7)
State and local income taxes, net of related federal taxes	**2.8**	(1.0)	2.2
Effect of noncontrolling interest in pass-through entity	**(0.7)**	2.1	0.5
Other, net	**(1.0)**	(0.5)	0.1
Effective tax rate	**35.7%**	35.4%	35.5%

Income tax refunds of $24.2 million were received in 2009. Income taxes paid in 2008 and 2007 were $49.7 million and $24.1 million, respectively.

Significant components of the Company s deferred tax liabilities and assets are as follows:

	December 31	
(in thousands)	**2009**	**2008**
Deferred tax liabilities:		
Property, plant and equipment and railcar assets leased to others	**$(56,883)**	$(47,665)
Prepaid employee benefits	**(11,172)**	(11,353)
Investments	**(16,511)**	(8,500)
Other	**(3,828)**	(3,139)
	(88,394)	(70,657)
Deferred tax assets:		
Employee benefits	**29,848**	30,303
Accounts and notes receivable	**6,192**	5,043
Inventory	**4,348**	10,722
Deferred expenses	**7,176**	3,493
Net operating loss carryforwards	**1,918**	1,159
Other	**4,018**	4,193
Total deferred tax assets	**53,500**	54,913
Valuation allowance	**(960)**	(1,115)
	52,540	53,798
Net deferred tax liabilities	**$(35,854)**	$(16,859)

On December 31, 2009 the Company had $14.8 million in state net operating loss carryforwards that expire from 2016 to 2023. A deferred tax asset of $1.0 million has been recorded with respect to the net operating loss carryforwards. A valuation allowance of $1.0 million has been established against the deferred tax asset because it is unlikely that the

Company will realize the benefit of these carryforwards. On December 31, 2008 the Company had recorded a $1.1 million deferred tax asset and a $1.1 million valuation allowance with respect to state net operating loss carryforwards

On December 31, 2009 the Company had $4.9 million in cumulative Canadian net operating losses. Of this total, $1.1 million may be carried back against earlier tax years to generate tax refunds of $0.3 million. The remaining $3.8 million in net operating losses will expire from 2027 to 2030. A deferred tax asset of $1.0 million has been recorded with respect to net operating loss carryforwards. No valuation allowance has been established because the Company is expected to utilize the net operating loss carryforwards. On December 31, 2008 the Company had recorded a deferred tax asset, and no valuation allowance, of less than $0.1 million with respect to net operating loss carryforwards.

The Company has a $3.1 million pool of windfall tax benefits associated with stock-based compensation plans. The Company accounts for utilization of windfall tax benefits based on tax law ordering and considered only the direct effects of stock-based compensation for purposes of measuring the windfall at settlement of an award. The amount of cash resulting from the exercise of awards during 2009 was $0.1 million and the tax benefit the Company realized from the exercise of awards was $0.3 million. For 2008, the amount of cash resulting from the exercise of awards was $0.2 million and the tax benefit the Company realized from the exercise of awards was $2.8 million.

The Company or one of its subsidiaries files income tax returns in the U.S., Canadian and Mexican federal jurisdictions and various state and local jurisdictions. The Company is no longer subject to examinations by U.S. tax authorities for years before 2006, no longer subject to examinations by Canadian tax authorities for years before 2005, and subject to examination by Mexican tax authorities for all years beginning with 2004. During 2009, the Internal Revenue Service completed an examination of the Company s U.S. income tax returns for the years 2006 and 2007, resulting in an additional payment of $2.5 million. Substantially all audit adjustments related to the timing of income recognition and expense deductions.

A reconciliation of the January 1, 2008 and December 31, 2009 amount of unrecognized tax benefits is as follows:

(in thousands)	
Balance at January 1, 2007	$ 1,496
Additions based on tax positions related to the current year	
Additions based on tax positions related to prior years	407
Reductions for settlements with taxing authorities	
Reductions as a result of a lapse in statute of limitations	(571)
Balance at December 31, 2007	1,332
Additions based on tax positions related to the current year	66
Additions based on tax positions related to prior years	204
Reductions for settlements with taxing authorities	(361)
Reductions as a result of a lapse in statute of limitations	(514)
	727
Additions based on tax positions related to the current year	28
Additions based on tax position related to prior years	(25)
Reductions for settlements with taxing authorities	(153)
Reductions as a result of a lapse in statute of limitations	(259)
Balance at December 31, 2009	$ 318

The unrecognized tax benefits at December 31, 2009 are associated with positions taken on state income tax returns, and would decrease the Company s effective tax rate if recognized. The statute of limitations for examinations related to $0.2 million of such benefits is scheduled to expire in the fourth quarter of 2010.

The Company has elected to classify interest and penalties as interest expense and penalty expense, respectively, rather than as income tax expense. The Company has $0.3 million accrued for the payment of interest and penalties at December 31, 2009. The net interest and penalties expense for 2009 is a $0.1 million benefit, due to the relief of previously recorded interest and penalties. The Company had $0.4 million accrued for the payment of interest and penalties at December 31, 2008. The net interest and penalties expense for 2008 was less than $0.1 million.

The Company has recorded reserves for tax exposures based on its best estimate of probable and reasonably estimable tax matters and does not believe that a material additional loss is reasonably possible for tax matters.

9. Stock Compensation Plans

The Company s 2005 Long-Term Performance Compensation Plan, dated May 6, 2005 (the LT Plan), authorizes the Board of Directors to grant options, stock appreciation rights, performance shares and share awards to employees and outside directors for up to 400,000 of the Company s common shares plus 426,000 common shares that remained available under a prior plan. In 2008, shareholders approved an additional 500,000 of the Company s common shares to be available under the LT Plan. As of December 31, 2009, approximately 350,000 shares remain available for grant under the LT Plan. Options granted have a maximum term of 10 years.

Stock-based compensation expense for all stock-based compensation awards are based on the grant-date fair value. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award. Total compensation expense recognized in the Consolidated Statement of Income for all stock compensation programs was $2.7 million, $4.1 million and $4.2 million in 2009, 2008 and 2007, respectively.

Stock Only Stock Appreciation Rights (SOSARs) and Stock Options

Beginning in 2006, the Company discontinued granting options to directors and management and instead began granting SOSARs. SOSARs granted to directors and management personnel under the LT Plan in 2008 and 2009 have a term of five-years and have a three year graded vesting. The SOSARs granted in 2006 and 2007 have a term of five years and vest after three years. SOSARs granted under the LT Plan are structured as fixed grants with exercise price equal to the market value of the underlying stock on the date of the grant. The related compensation expense is recognized on a straight-line basis over the service period. In 2009 there were 193,728 SOSARs granted to directors and management personnel.

The fair value for SOSARs was estimated at the date of grant, using a Black-Scholes option pricing model with the weighted average assumptions listed below. Volatility was estimated based on the historical volatility of the Company s common shares over the past five years. The average expected life was based on the contractual term of the award and expected employee exercise and post-vesting employment termination trends. The risk-free rate is based on U.S. Treasury issues with a term equal to the expected life assumed at the date of grant. Forfeitures are estimated at the date of grant based on historical experience.

	2009	**2008**	**2007**
Risk free interest rate	**1.89%**	2.24%	4.34%
Dividend yield	**3.18%**	0.67%	0.45%
Volatility factor of the expected market price of the Company s common shares	**.520**	.410	.375
Expected life for the options (in years)	**4.10**	4.10	4.50

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A reconciliation of the number of SOSARs and stock options outstanding and exercisable under the Long-Term Performance Compensation Plan as of December 31, 2009, and changes during the period then ended is as follows:

	Shares (000) s	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value ($000)
Options & SOSARs outstanding at January 1, 2009	905	$32.78		
SOSARs granted	194	11.16		
Options exercised	(153)	15.50		
Options & SOSARs cancelled / forfeited	(39)	41.68		
Options and SOSARs outstanding at December 31, 2009	907	$30.69	2.21	$4,576
Vested and expected to vest at December 31, 2009	903	$30.69	2.20	$4,548
Options exercisable at December 31, 2009	491	$32.08	1.29	$1,806

	2009	**2008**	**2007**
Total intrinsic value of options exercised during the year ended December 31 (000 s)	**$2,127**	$6,384	$14,175
Total fair value of shares vested during the year ended December 31 (000 s)	**$4,145**	$ 533	$ 437
Weighted average fair value of options granted during the year ended December 31	**$ 3.80**	$15.26	$ 15.32

As of December 31, 2009, there was $0.6 million of total unrecognized compensation cost related to stock options and SOSARs granted under the LT Plan. That cost is expected to be recognized over the next 1.17 years.

Restricted Stock Awards

The LT Plan permits awards of restricted stock. These shares carry voting and dividend rights; however, sale of the shares is restricted prior to vesting. Restricted shares have a three year vesting period. Total restricted stock expense is equal to the market value of the Company s common shares on the date of the award and is recognized over the service period. In 2009, there were 30,500 shares issued to members of management.

A summary of the status of the Company s nonvested restricted shares as of December 31, 2009, and changes during the period then ended, is presented below:

Nonvested Shares	Shares (000) s	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2009	52	$ 42.30

Granted	30		11.02
Vested	(21)		38.70
Forfeited	( )		41.12
Nonvested at December 31, 2009	61	$	30.20

	2009	2008	2007
Total fair value of shares vested during the year ended December 31 (000 s)	**$ 109**	$ 20	$ 201
Weighted average fair value of restricted shares granted during the year ended December 31	**$11.02**	$46.06	$42.30

As of December 31, 2009, there was $0.6 million of total unrecognized compensation cost related to nonvested restricted shares granted under the LT Plan. That cost is expected to be recognized over the next 2.0 years.

Performance Share Units (PSUs)

The LT Plan also allows for the award of PSUs. Each PSU gives the participant the right to receive one common share dependent on achievement of specified performance results over a three calendar year performance period. At the end of the performance period, the number of shares of stock issued will be determined by adjusting the award upward or downward from a target award. Fair value of PSUs issued is based on the market value of the Company s common shares on the date of the award. The related compensation expense is recognized over the performance period when achievement of the award is probable and is adjusted for changes in the number of shares expected to be issued if changes in performance are expected. In 2009 there were 56,801 PSUs issued to executive officers. Currently, the Company is accounting for the awards granted in 2007 and 2009 at 50% of the maximum amount available for issuance. As of December 31, 2009, it does not appear that the Company will reach the minimum threshold earnings per share growth for issuance of any of the 2008 awards and therefore no stock compensation expense is being taken on these awards.

PSUs Activity

A summary of the status of the Company s PSUs as of December 31, 2009, and changes during the period then ended, is presented below:

Nonvested Shares	Shares (000) s	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2009	75	$ 43.07
Granted	57	11.13
Vested	(26)	38.16
Forfeited		39.12
Nonvested at December 31, 2009	106	$ 28.88

	2009	2008	2007
Weighted average fair value of PSUs granted during the year ended December 31	**$10.81**	$46.24	$42.30

As of December 31, 2009, there was $0.2 million of total unrecognized compensation cost related to nonvested PSUs granted under the LT Plan. That cost is expected to be recognized over the next 2.0 years.

Employee Share Purchase Plan (the ESP Plan)

The Company s 2004 ESP Plan allows employees to purchase common shares through payroll withholdings. The Company has registered 355,459 common shares remaining available for issuance to and purchase by employees under this plan. The ESP Plan also contains an option component. The purchase price per share under the ESP Plan is the lower of the market price at the beginning or end of the year. The Company records a liability for withholdings not yet applied towards the purchase of common stock.

The fair value of the option component of the ESP Plan is estimated at the date of grant under the Black-Scholes option pricing model with the following assumptions for the appropriate year. Expected volatility was estimated based on the historical volatility of the Company s common shares over the past year. The average expected life was based on the contractual term of the plan. The risk-free rate is based on the U.S. Treasury issues with a one year term. Forfeitures are estimated at the date of grant based on historical experience.

	2009	2008	2007
Employee Share Purchase Plan			
Risk free interest rate	**0.37%**	3.34%	5.0%
Dividend yield	**2.06%**	0.73%	0.45%
Volatility factor of the expected market price of the Company s common shares	**.673**	.470	.555
Expected life for the options (in years)	**1.00**	1.00	1.00

10. Other Commitments and Contingencies

Railcar leasing activities:

The Company is a lessor of railcars. The majority of railcars are leased to customers under operating leases that may be either net leases (where the customer pays for all maintenance) or full service leases (where the Company provides maintenance and fleet management services). The Company also provides such services to financial intermediaries to whom it has sold railcars and locomotives in non-recourse lease transactions. Fleet management services generally include maintenance, escrow, tax filings and car tracking services.

Many of the Company s leases provide for renewals. The Company also generally holds purchase options for railcars it has sold and leased-back from a financial intermediary, and railcars sold in non-recourse lease transactions. These purchase options are for stated amounts which are determined at the inception of the lease and are intended to approximate the estimated fair value of the applicable railcars at the date for which such purchase options can be exercised.

Lease income from operating leases (with the Company as lessor) to customers (including month to month and per diem leases) and rental expense for railcar operating leases (with the Company as lessee) were as follows:

	Year ended December 31,		
(in thousands)	**2009**	**2008**	**2007**
Rental and service income operating leases	**$73,575**	$87,445	$81,885
Rental expense	**$24,271**	$23,695	$21,607

Lease income recognized under per diem arrangements (described in Note 1) totaled $3.9 million, $9.1 million and $10.3 million, in 2009, 2008 and 2007, respectively, and are included in the amounts above.

Future minimum rentals and service income for all noncancelable railcar operating leases greater than one year are as follows:

(in thousands)	Future Rental and Service Income Operating Leases	Future Minimum Rental Payments
Year ended December 31,		
2010	$ 43,963	$ 21,286
2011	30,609	18,647
2012	21,171	11,887
2013	14,080	8,258
2014	10,194	5,803
Future years	28,044	21,125
	$148,061	$ 87,006

The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to financial intermediaries and assigns the related operating lease on a non-recourse basis. The Company generally provides ongoing railcar maintenance and management services for the financial intermediaries, and receives a fee for such services when earned. Management and service fees earned in 2009, 2008 and 2007 were $3.0 million, $3.1 million and $2.0 million, respectively.

Other leasing activities:

The Company, as a lessee, leases real property, vehicles and other equipment under operating leases. Certain of these agreements contain lease renewal and purchase options. The Company also leases excess property to third parties. Net rental expense under these agreements was $5.1 million, $4.7 million and $3.4 million in 2009, 2008 and 2007, respectively. Future minimum lease payments (net of sublease income commitments) under agreements in effect at December 31, 2009 are as follows: 2010 $4.1 million; 2011 $3.7 million; 2012 $2.9 million; 2013 $1.7 million; 2014 $1.1 million; and $1.4 million thereafter.

In addition to the above, the Company leases its Albion, Michigan and Clymers, Indiana grain elevators under operating leases to two of its ethanol joint ventures. The Albion, Michigan grain elevator lease expires in 2056. The initial term of the Clymers, Indiana grain elevator lease ends in 2014 and provides for 5 renewals of 7.5 years each. Lease income for the years ended December 31, 2009, 2008 and 2007 was $1.8 million, $1.8 million and $1.4 million, respectively.

11. Employee Benefit Plan Obligations

The Company provides full-time employees with pension benefits under defined benefit and defined contribution plans. The Company s expense for its defined contribution plans amounted to $3.3 million in 2009, $2.7 million in 2008 and $2.3 million in 2007. The Company also provides certain health insurance benefits to employees as well as retirees.

The Company has both funded and unfunded noncontributory defined benefit pension plans. The plans provide defined benefits based on years of service and average monthly compensation using a career average formula. During the third quarter of 2009, the Company announced that it would be freezing its defined benefit plan as of July 1, 2010 for all of its non-retail line of business employees. Pension benefits for the retail line of business employees were frozen at December 31, 2006. As a result of this curtailment, the Company recorded a gain of $4.1 million to pension expense in the Company s Consolidated Statements of Income. The net gain consisted of $4.3 million of remaining prior service cost and $0.2 million curtailment loss that were recorded in accumulated other comprehensive loss.

The Company also has postretirement health care benefit plans covering substantially all of its full time employees hired prior to January 1, 2003. These plans are generally contributory and include a cap on the Company s share for most retirees.

The measurement date for all plans is December 31.

Obligation and Funded Status

Following are the details of the obligation and funded status of the pension and postretirement benefit plans:

	Pension Benefits		**Postretirement Benefits**	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Change in benefit obligation				
Benefit obligation at beginning of year	**$67,686**	$ 55,025	**$ 19,792**	$ 17,987
Service cost	**2,861**	2,665	**412**	375
Interest cost	**4,001**	3,614	**1,155**	1,125
Actuarial (gains)/losses	**6,739**	8,785	**652**	1,233
Participant contributions			**388**	352
Retiree drug subsidy received			**45**	54
Benefits paid	**(2,050)**	(2,403)	**(1,150)**	(1,334)
Plan curtailment	**(4,362)**			
Benefit obligation at end of year	**74,875**	67,686	**21,294**	19,792
Change in plan assets				
Fair value of plan assets at beginning of year	**$51,209**	$ 64,278	**$**	$
Actual gains (loss) on plan assets	**15,214**	(20,668)		
Company contributions	**6,050**	10,002	**762**	981
Participant contributions			**388**	353
Benefits paid	**(2,050)**	(2,403)	**(1,150)**	(1,334)
Fair value of plan assets at end of year	**70,423**	51,209		
Funded status of plans at end of year	**(4,452)**	(16,477)	**(21,294)**	(19,792)

Amounts recognized in the consolidated balance sheets at December 31, 2009 and 2008 consist of:

	Pension Benefits		**Postretirement Benefits**	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Accrued expenses	**$ (72)**	(70)	**$ (1,163)**	(1,113)
Employee benefit plan obligations	**(4,380)**	(16,407)	**(20,131)**	(18,679)
Net amount recognized	**$(4,452)**	$(16,477)	**$(21,294)**	$(19,792)

Following are the details of the pre-tax amounts recognized in accumulated other comprehensive loss at December 31, 2009:

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(in thousands)	Pension Benefits Unamortized Actuarial Net Losses	Pension Benefits Unamortized Prior Service Costs	Postretirement Benefits Unamortized Actuarial Net Losses	Postretirement Benefits Unamortized Prior Service Costs
Balance at beginning of year	**$45,437**	**$ (4,717)**	**$9,038**	**$ (4,091)**
Amounts arising during the period	**(8,482)**		**652**	
Plan curtailment	**(193)**	**4,325**		
Recognized as a component of net periodic benefit cost	**(3,503)**	**392**	**(624)**	**511**
Balance at end of year	**$33,259**	**$**	**$9,066**	**$ (3,580)**

The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic benefit cost during the next fiscal year are as follows:

(in thousands)	Pension	Postretirement	Total
Prior service cost	$	$ (511)	$ (511)
Net actuarial loss	1,694	630	2,324

The accumulated benefit obligations related to the Company s defined benefit pension plans are $74.3 million and $60.2 million as of December 31, 2009 and 2008, respectively.

Amounts applicable to the Company s defined benefit plans with accumulated benefit obligations in excess of plan assets are as follows:

(in thousands)	2009	2008
Projected benefit obligation	**$74,875**	$67,686
Accumulated benefit obligation	**$74,267**	$60,188

The combined benefits expected to be paid for all Company defined benefit plans over the next ten years (in thousands) are as follows:

Year	Expected Pension Benefit Payout	Expected Postretirement Benefit Payout	Medicare Part D Subsidy
2010	$ 4,317	$ 1,317	$ (155)
2011	4,544	1,392	(174)
2012	4,922	1,455	(195)
2013	4,795	1,531	(222)
2014	4,804	1,599	(247)
2015-2019	25,498	8,889	(1,770)

Following are components of the net periodic benefit cost for each year:

	Pension Benefits			Postretirement Benefits		
(in thousands)	**2009**	2008	2007	**2009**	2008	2007
Service cost	**$ 2,861**	$ 2,666	$ 2,659	**$ 412**	$ 374	$ 436
Interest cost	**4,001**	3,614	3,137	**1,155**	1,125	1,163
Expected return on plan assets	**(4,356)**	(5,037)	(4,565)			
Amortization of prior service cost	**(392)**	(619)	(635)	**(511)**	(511)	(511)
Recognized net actuarial loss	**3,503**	945	1,072	**624**	611	793
Curtailment gain	**(4,132)**					
Net periodic benefit cost	**$ 1,485**	$ 1,569	$ 1,668	**$1,680**	$1,599	$1,881

Assumptions

	Pension Benefits			Postretirement Benefits		
Weighted Average Assumptions	**2009**	**2008**	**2007**	**2008**	**2008**	**2007**
Used to Determine Benefit Obligations at Measurement Date						
Discount rate (a)	**5.70%**	6.10%	6.30%	**5.80%**	6.10%	6.40%
Rate of compensation increases	**3.50%**	4.50%	4.50%			
Used to Determine Net Periodic Benefit Cost for Years ended December 31						
Discount rate	**6.10%**	6.30%	5.80%	**6.10%**	6.40%	5.80%
Expected long-term return on plan assets	**8.25%**	8.25%	8.50%			
Rate of compensation increases	**4.50%**	4.50%	4.50%			

(a) In 2009, the calculated discount rate for the unfunded pension plan was different than the defined benefit pension plan. The calculated rate for the supplemental employee retirement plan was 6.00%.

The discount rate is calculated based on projecting future cash flows and aligning each year s cash flows to the Citigroup Pension Discount Curve and then calculating a weighted average discount rate for each plan. The Company has elected to then use the nearest tenth of a percent from this calculated rate.

The expected long-term return on plan assets was determined based on the current asset allocation and historical results from plan inception. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels and is disclosed in the Plan Assets section of this Note. The plan strives to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio.

Assumed Health Care Cost Trend Rates at Beginning of Year

	2009	**2008**
Health care cost trend rate assumed for next year	**8.5%**	9.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.0%**	5.0%
Year that the rate reaches the ultimate trend rate	**2017**	2017

The assumed health care cost trend rate has an effect on the amounts reported for postretirement benefits. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	One-Percentage-Point	
(in thousands)	**Increase**	**Decrease**
Effect on total service and interest cost components in 2009	$ (19)	$16
Effect on postretirement benefit obligation as of December 31, 2009	(116)	92

To partially fund self-insured health care and other employee benefits, the Company made payments to a trust. This trust was closed in December of 2009 after all of the remaining cash was used to fund benefits. The estimated fair value of the assets of the trust was $5.2 million at December 31, 2008 and is included in prepaid expenses and other current assets on the Company s Consolidated Balance Sheet.

Plan Assets

The Company s pension plan weighted average asset allocations at December 31 by asset category, are as follows:

Asset Category	**2009**	**2008**
Equity securities	**74%**	74%
Fixed income securities	**24%**	24%
Cash and equivalents	**2%**	2%
	100%	100%

The plan assets are allocated within the broader asset categories in investments that focus on more specific sectors. Within equity securities, subcategories include large cap growth, large cap value, small cap growth, small cap value, and internationally focused investment funds. These funds are judged in comparison to benchmark indexes that best match their specific category. Within fixed income securities, the funds are invested in a broad cross section of securities to ensure diversification. These include treasury, government agency, corporate, securitization, high yield, global, emerging market and other debt securities.

The investment policy and strategy for the assets of the Company s funded defined benefit plan includes the following objectives:

ensure superior long-term capital growth and capital preservation;

reduce the level of the unfunded accrued liability in the plan; and

offset the impact of inflation.

Risks of investing are managed through asset allocation and diversification. Investments are given extensive due diligence by an impartial third party investment firm. All investments are monitored and re-assessed by the Company s pension committee on a semi-annual basis. Available investment options include U.S. Government and agency bonds and instruments, equity and debt securities of public corporations listed on U.S. stock exchanges, exchange listed U.S. mutual funds and institutional portfolios investing in equity and debt securities of publicly traded domestic or international companies and cash or money market securities. In order to reduce risk and volatility, the Company has placed the following portfolio market value limits on its investments, to which the investments must be rebalanced after each quarterly cash contribution. Note that the single security restriction does not apply to mutual funds or institutional investment portfolios. No securities are purchased on margin, nor are any derivatives used to create leverage. The overall expected long-term rate of return is determined by using long-term historical returns for equity and fixed income securities in proportion to their weight in the investment portfolio.

	Percentage of Total Portfolio Market Value		
	Minimum	**Maximum**	**Single Security**
Equity based	60%	80%	<10%
Fixed income based	20%	35%	<5%
Cash and equivalents	1%	5%	<5%

The following table presents the fair value of the assets (by asset category) in the Company s defined benefit pension plan at December 31, 2009.

(in thousands)

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$240	$	$	$ 240
Money market fund		1,240		1,240
Equity funds		52,000		52,000
Fixed income funds		16,943		16,943
Total	$240	$70,183	$	$70,423

There is no equity or debt of the Company included in the assets of the defined benefit plan.

Cash Flows

The Company expects to make contributions to the defined benefit pension plan of up to $6.1 million in 2010. The Company reserves the right to contribute more or less than this amount. For the year ended December 31, 2009, the Company contributed $6.0 million to the defined benefit pension plan.

12. Fair Values of Financial Instruments

The fair values of the Company s cash equivalents, margin deposits, short-term borrowings and certain long-term borrowings approximate their carrying values since the instruments are close to maturity and/or carry variable interest rates based on market indices. The Company accounts for investments in affiliates using either the equity method or the cost method. These investments have no quoted market price.

Certain long-term notes payable and the Company s debenture bonds bear fixed rates of interest and terms of up to 10 years. Based upon the Company s credit standing and current interest rates offered by the Company on similar bonds and rates currently available to the Company for long-term borrowings with similar terms and remaining maturities, the Company estimates the fair values of its long-term debt instruments outstanding at December 31, 2009 and 2008, as follows:

(in thousands)	**Carrying Amount**	**Fair Value**
2009:		
Fixed rate long-term notes payable	**$214,207**	**$219,904**
Long-term notes payable, non-recourse	**24,350**	**24,629**
Debenture bonds	**45,595**	**46,307**
	$284,152	**$290,840**
2008:		
Fixed rate long-term notes payable	$212,720	$207,621

Long-term notes payable, non-recourse	53,202	52,365
Debenture bonds	39,465	38,059
	$305,387	$298,045

13. Derivatives

The Company s operating results are affected by changes to commodity prices. The grain division has established unhedged grain position limits (the amount of grain, either owned or contracted for, that does not have an offsetting derivative contract to lock in the price). To reduce the exposure to market price risk on grain owned and forward grain and ethanol purchase and sale contracts, the Company enters into regulated commodity futures contracts for corn, soybeans, wheat and oats and over-the-counter contracts for ethanol. The forward contracts are for physical delivery of the commodity in a future period. Contracts to purchase grain from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of grain to processors or other consumers generally do not extend beyond one year. Contracts for the purchase and sale of ethanol currently do not extend beyond one year. The terms of the contracts for the purchase and sale of grain and ethanol are consistent with industry standards. The Company, although to a lesser extent, also enters into option contracts for the purpose of providing pricing features to its customers and to manage price risk on its own inventory.

All of these contracts are considered derivatives. While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges as defined under current accounting standards. The Company records forward commodity contracts on the balance sheet as assets or liabilities, as appropriate, and accounts for them at estimated fair value, the same method it uses to value its grain inventory. The estimated fair value of the regulated commodity futures and options contracts as well as the over-the-counter contracts is recorded on a net basis (offset against cash collateral posted or received) within margin deposits or accrued expenses and other current liabilities on the balance sheet. Management determines fair value based on exchange-quoted prices and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets and non-performance risk.

Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices, changes in performance or credit risk, or due to sale, maturity or extinguishment of the commodity contract) and grain inventories are included in sales and merchandising revenues in the statements of income.

The following table presents the fair value of the Company s commodity derivatives as of December 31, 2009, and the balance sheet line item in which they are located:

(in thousands)		December 31, 2009
Forward commodity contracts included in Commodity derivative assets current	$	24,255
Forward commodity contracts included in Commodity derivative assets noncurrent		3,137
Forward commodity contracts included in Commodity derivative liabilities current		(24,871)
Forward commodity contracts included in Commodity derivative liabilities noncurrent		(830)
Regulated futures and options contracts included in Margin deposits (a)		(11,354)
Over-the-counter contracts included in Margin deposits (a)		(1,824)
Over-the-counter contracts included in accrued expenses and other current liabilities		(4,193)
Total estimated fair value of commodity derivatives	$	(15,680)

(a) The fair value of futures, options and over-the-counter contracts are offset by cash collateral posted or received and included as a net amount in the Consolidated Balance Sheets. See Note 1 for additional information.

The gains included in the Company s Consolidated Statement of Income and the line items in which they are located for the year ended December 31, 2009 are as follows:

(in thousands)	**Year ended December 31, 2009**
Gains on commodity derivatives included in sales and merchandising revenues	$ 45,707

At December 31, 2009, the Company had the following bushels and gallons outstanding (on a gross basis) on all commodity derivative contracts:

Commodity	Number of bushels (in thousands)	Number of tons (in thousands)	Number of gallons (in thousands)
Corn	229,340		
Soybeans	17,053		
Wheat	5,301		
Oats	8,683		
Soymeal		38	
Ethanol			323,986
Total	260,377	38	323,986

Interest Rate Derivatives

The Company periodically enters into interest rate contracts, including interest rate swaps and caps, to manage interest rate risk on borrowing or financing activities. One of the Company s long-term interest rate swaps is recorded in other long-term liabilities and is designated as a cash flow hedge; accordingly, changes in the fair value of this instrument are recognized in other comprehensive income. The terms of the swap match the terms of the underlying debt instrument. The deferred derivative gains and losses on the interest rate swap are reclassified into income over the term of the underlying hedged items. For the years ended December 31, 2009, 2008 and 2007, the Company reclassified less than $0.1 million of accumulated other comprehensive loss into earnings. The Company expects to reclassify less than $0.1 million of accumulated other comprehensive loss into earnings in the next twelve months.

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

The following table presents the open interest rate contracts at December 31, 2009.

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

At December 31, 2009, the Company had recorded the following amounts for the fair value of the Company s interest rate derivatives:

(in thousands)	December 31, 2009
Derivatives not designated as hedging instruments	
Interest rate contracts included in other assets	$ 55
Interest rate contracts included in deferred income and other long term liabilities	(320)
Total fair value of interest rate derivatives not designated as hedging instruments	$ (265)
Derivatives designated as hedging instruments	
Interest rate contract included in deferred income and other long term liabilities	$ (1,540)
Total fair value of interest rate derivatives designated as hedging instruments	$ (1,540)

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

(in thousands)	Year ended December 31, 2009

Interest expense	$ 158

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

(in thousands)	**Year ended December 31, 2009**
Accumulated other comprehensive loss	$ 893

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Foreign Currency Derivatives

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

At December 31, 2009, the Company had recorded the following amount for the fair value of the Company s foreign currency derivatives:

(in thousands)	**December 31, 2009**
Foreign currency contract included in other assets	$ 42

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

(in thousands)	**Year ended December 31, 2009**
Accumulated other comprehensive loss	$ (539)

14. Business Segments

The Company s operations include five reportable business segments that are distinguished primarily on the basis of products and services offered. The Grain & Ethanol Group s operations include grain merchandising, the operation of terminal grain elevator facilities and the investment in and management of ethanol production facilities as well as an investment in Lansing Trade Group LLC. In the Rail Group, operations include the leasing, marketing and fleet management of railcars and locomotives, railcar repair and metal fabrication. The Plant Nutrient Group manufactures and distributes agricultural inputs, primarily fertilizer, to dealers and farmers. The Turf & Specialty Group s operations include the production and distribution of turf care and corncob-based products. The Retail Group operates large retail stores, a specialty food market, a distribution center and a lawn and garden equipment sales and service shop. Included in Other are the corporate level amounts not attributable to an operating Group and the sale of some of the Company s excess real estate.

The segment information below includes the allocation of expenses shared by one or more Groups. Although management believes such allocations are reasonable, the operating information does not necessarily reflect how such data might appear if the segments were operated as separate businesses. Inter-segment sales are made at prices comparable to normal, unaffiliated customer sales. Capital expenditures include additions to property, plant and equipment, software and intangible assets.

(in thousands) 2009	**Grain & Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	$2,153,978	$ 92,789	$491,293	$ 125,306	$161,938	$	$3,025,304
Inter-segment sales	9	634	3,150	1,504			5,297
Equity in earnings of affiliates	17,452		8			3	17,463
Other income, net	2,319	485	1,755	1,131	683	1,958	8,331
Interest expense	9,363	4,468	3,933	1,429	961	534	20,688
Operating income (loss) (a)	51,354	(1,034)	11,294	4,735	(2,843)	(3,225)	60,281
Income attributable to noncontrolling interest	(1,215)						(1,215)
Income before income taxes	52,569	(1,034)	11,294	4,735	(2,843)	(3,225)	61,496
Identifiable assets	597,041	194,748	205,968	63,353	45,696	177,585	1,284,391
Capital expenditures	6,145	297	6,610	1,305	1,157	1,046	16,560
Railcar expenditures		24,965					24,965
Cash invested in affiliates	1,100					100	1,200
Acquisitions of businesses			30,480				30,480
Depreciation and amortization	5,532	15,967	8,665	2,314	2,286	1,256	36,020

(in thousands) 2008	**Grain & Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	$2,411,144	$133,898	$652,509	$ 118,856	$173,071	$	$3,489,478
Inter-segment sales	15	439	4,017	1,270			5,741
	4,027		6				4,033

Equity in earnings of affiliates							
Other income, net	4,751	526	893	446	692	(1,138)	6,170
Interest expense	18,667	4,154	5,616	1,522	886	394	31,239
Operating income (loss) (a)	43,587	19,782	(12,325)	2,321	843	(4,842)	49,366
Loss attributable to noncontrolling interest	2,803						2,803
Income before income taxes	40,784	19,782	(12,325)	2,321	843	(4,842)	46,563
Identifiable assets	575,589	198,109	266,785	70,988	50,605	146,697	1,308,773
Capital expenditures	5,317	682	10,481	2,018	924	893	20,315
Railcar expenditures	19,066	78,923					97,989
Cash invested in affiliates	41,350					100	41,450
Depreciation and amortization	4,377	13,915	5,901	2,228	2,218	1,128	29,767

(in thousands) 2007	Grain & Ethanol	Rail	Plant Nutrient	Turf & Specialty	Retail	Other	Total
Revenues from external customers	$1,498,652	$129,932	$466,458	$103,530	$180,487	$	$2,379,059
Inter-segment sales	6	715	10,689	1,154			12,564
Equity in earnings of affiliates	31,870		(7)				31,863
Other income, net	11,721	1,038	916	438	840	6,778	21,731
Interest expense	8,739	5,912	1,804	1,475	875	243	19,048
Operating income (loss) (a)	65,934	19,505	27,055	95	139	(6,867)	105,861
Loss attributable to noncontrolling interest	1,356						1,356
Income before income taxes	64,578	19,505	27,055	95	139	(6,867)	104,505
Identifiable assets	823,451	193,948	142,513	59,574	53,604	51,898	1,324,988
Capital expenditures	4,126	598	6,883	3,331	3,895	1,513	20,346
Railcar expenditures		56,014					56,014
Cash invested in affiliates	36,249						36,249
Depreciation and amortization	3,087	14,183	3,748	1,914	2,186	1,135	26,253

(a) Operating income (loss) for each Group is based on net sales and merchandising revenues plus identifiable other income less all identifiable operating expenses, including interest expense for carrying working capital and long-term assets and is reported net of net (income) loss attributable to the noncontrolling interest.

Grain sales for export to foreign markets amounted to approximately $313 million, $195 million and $315 million in 2009, 2008 and 2007, respectively. Revenues from leased railcars in Canada totaled $12.4 million, $18.1 million and $15.4 million in 2009, 2008 and 2007, respectively. The net book value of the leased railcars at December 31, 2009 and 2008 was $26.9 million and $25.7 million, respectively. Lease revenue on railcars in Mexico totaled $0.3 million in 2009, $0.8 million in 2008 and $0.5 million in 2007.

15. Quarterly Consolidated Financial Information (Unaudited)

The following is a summary of the unaudited quarterly results of operations for 2009 and 2008.

(in thousands, except for per common share data)

Quarter Ended	Net Sales	Gross Profit	Net Income attributable to The Andersons, Inc.	Earnings Per Share-Basic	Earnings Per Share-Diluted
2009					
March 31	$ 697,392	$ 61,374	$ 4,952	$ 0.27	$ 0.27
June 30	810,954	73,334	15,918	0.87	0.87
September 30	601,000	51,010	1,250	0.07	0.07
December 31	915,958	69,788	16,231	0.89	0.88
Year	$3,025,304	$255,506	$ 38,351	2.10	2.08
2008					
March 31	$ 713,001	$ 52,241	$ 7,823	$ 0.43	$ 0.42
June 30	1,100,700	120,337	45,626	2.52	2.48
September 30	905,712	73,025	12,840	0.71	0.70
December 31	770,065	12,226	(33,389)	(1.84)	(1.84)
Year	$3,489,478	$257,829	$ 32,900	1.82	1.79

Net income per share is computed independently for each of the quarters presented. As such, the summation of the quarterly amounts may not equal the total net income per share reported for the year.
Included in gross profit for the third and fourth quarters of 2008, was $13.1 million and $84.1 million, respectively, of lower-of-cost or market write-downs relating to the Company s fertilizer inventory and committed purchase and sale contracts.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

The Company is not organized with one Chief Financial Officer. Our Vice President, Controller and CIO is responsible for all accounting and information technology decisions while our Vice President, Finance and Treasurer is responsible for all treasury functions and financing decisions. Each of them, along with the President and Chief Executive Officer (Certifying Officers), are responsible for evaluating our disclosure controls and procedures. These named Certifying Officers have evaluated our disclosure controls and procedures as defined in the rules of the Securities and Exchange Commission, as of December 31, 2009, and have determined that such controls and procedures were effective in ensuring that material information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.
Management s Report on Internal Control over Financial Reporting is included in Item 8 on page 43.
There were no significant changes in internal control over financial reporting that occurred during the fourth quarter of 2009, that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

For information with respect to the executive officers of the registrant, see Executive Officers of the Registrant included in Part I, Item 4a of this report. For information with respect to the Directors of the registrant, see Election of Directors in the Proxy Statement for the Annual Meeting of the Shareholders to be held on May 7, 2010 (the Proxy Statement), which is incorporated herein by reference; for information concerning 1934 Securities and Exchange Act Section 16(a) Compliance, see such section in the Proxy Statement, incorporated herein by reference.

Item 11. Executive Compensation

The information set forth under the caption Executive Compensation in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth under the caption Share Ownership and Executive Compensation Equity Compensation Plan Information in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

None.

Item 14. Principal Accountant Fees and Services

The information set forth under Appointment of Independent Registered Public Accounting Firm in the Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) The consolidated financial statements of the Company are set forth under Item 8 of this report on Form 10-K.

(2) The following consolidated financial statement schedule is included in Item 15(d):

	Page
II. Consolidated Valuation and Qualifying Accounts years ended December 31, 2009, 2008 and 2007	92

All other schedules for which provisions are made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are not applicable, and therefore have been omitted.

(3) Exhibits:

2.1 Agreement and Plan of Merger, dated April 28, 1995 and amended as of September 26, 1995, by and between The Andersons Management Corp. and The Andersons. (Incorporated by reference to Exhibit 2.1 to Registration Statement No. 33-58963).

3.1 Articles of Incorporation. (Incorporated by reference to Exhibit 3(d) to Registration Statement No. 33-16936).

3.4 Code of Regulations of The Andersons, Inc. (Incorporated by reference to Exhibit 3.4 to Registration Statement No. 33-58963).

4.3 Specimen Common Share Certificate. (Incorporated by reference to Exhibit 4.1 to Registration Statement No. 33-58963).

4.4 The Seventeenth Supplemental Indenture dated as of August 14, 1997, between The Andersons, Inc. and The Fifth Third Bank, successor Trustee to an Indenture between The Andersons and Ohio Citizens Bank, dated as of October 1, 1985. (Incorporated by reference to Exhibit 4.4 to The Andersons, Inc. the 1998 Annual Report on Form 10-K).

4.5 Loan Agreement dated October 30, 2002 and amendments through the eighth amendment dated September 27, 2006 between The Andersons, Inc., the banks listed therein and U.S. Bank National Association as Administrative Agent. (Incorporated by reference from Form 10-Q filed November 9, 2006).

10.1 Management Performance Program. * (Incorporated by reference to Exhibit 10(a) to the Predecessor Partnership s Form 10-K dated December 31, 1990, File No. 2-55070).

10.2 The Andersons, Inc. Amended and Restated Long-Term Performance Compensation Plan * (Incorporated by reference to Appendix A to the Proxy Statement for the April 25, 2002 Annual Meeting).

10.3 The Andersons, Inc. 2004 Employee Share Purchase Plan * (Incorporated by reference to Appendix B to the Proxy Statement for the May 13, 2004 Annual Meeting).

10.4 Marketing Agreement between The Andersons, Inc. and Cargill, Incorporated dated June 1, 1998 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003).

10.5 Lease and Sublease between Cargill, Incorporated and The Andersons, Inc. dated June 1, 1998 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003).

10.6 Amended and Restated Marketing Agreement between The Andersons, Inc.; The Andersons Agriculture Group LP; and Cargill, Incorporated dated June 1, 2003 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003).

10.7 Amendment to Lease and Sublease between Cargill, Incorporated; The Andersons Agriculture Group LP; and The Andersons, Inc. dated July 10, 2003 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003).

10.8 Amended and Restated Asset Purchase agreement by and among Progress Rail Services and related entities and Cap Acquire LLC, Cap Acquire Canada ULC and Cap Acquire Mexico S. de R.L. de C.V. (Incorporated by reference from Form 8-K filed February 27, 2004).

10.9 Indenture between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (Issuers) and Wells Fargo Bank, National Association (Indenture Trustee) dated February 12, 2004. (Incorporated by reference from Form 10K for the year ended December 31, 2003).

10.10 Management Agreement between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (the Companies), The Andersons, Inc. (the Manager) and Wells Fargo Bank, National Association (Indenture Trustee and Backup Manager) dated February 12, 2004. (Incorporated by reference from Form 10K for the year ended December 31, 2003).

10.11 Servicing Agreement between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (the Companies), The Andersons, Inc. (the Servicer) and Wells Fargo Bank, National Association (Indenture Trustee and Backup Servicer) dated February 12, 2004. (Incorporated by reference from form 10K for the year ended December 31, 2003).

10.12 Form of Stock Option Agreement (Incorporated by reference from Form 10-Q filed August 9, 2005).

10.13 Form of Performance Share Award Agreement (Incorporated by reference from Form 10-Q filed -August 9, 2005).

10.14 Security Agreement, dated as of December 29, 2005, made by The Andersons Rail Operating I, LLC in favor of Siemens Financial Services, Inc. as Agent (Incorporated by reference from Form 8-K filed January 5, 2006).

10.15 Management Agreement, dated as of December 29, 2005, made by The Andersons Rail Operating I, LLC and The Andersons, Inc., as Manager (Incorporated by reference from Form 8-K filed January 5, 2006).

10.16 Servicing Agreement, dated as of December 29, 2005, made by The Andersons Rail Operating I, LLC and The Andersons, Inc., as Servicer (Incorporated by reference from Form 8-K filed January 5, 2006).

10.17 Term Loan Agreement, dated as of December 29, 2005, made by The Andersons Rail Operating I, LLC, as borrower, the lenders named therein, and Siemens Financial Services, Inc., as Agent and Lender (Incorporated by reference from Form 8-K filed January 5, 2006).

10.18 The Andersons, Inc. Long-Term Performance Compensation Plan dated May 6, 2005* (Incorporated by reference to Appendix A to the Proxy Statement for the May 6, 2005 Annual Meeting).

10.19 Form of Stock Only Stock Appreciation Rights Agreement (Incorporated by reference from Form 10-Q filed May 10, 2006).

10.20 Form of Performance Share Award Agreement (Incorporated by reference from Form 10-Q filed May 10, 2006).

10.21 Real Estate Purchase Agreement between Richard P. Anderson and The Andersons Farm Development Co., LLC (Incorporated by reference from Form 8-K filed July 5, 2006).

10.22 Real Estate Purchase Agreement between Thomas H. Anderson and The Andersons Farm Development Co., LLC (Incorporated by reference from Form 8-K filed July 5, 2006).

10.23 Real Estate Purchase Agreement between Paul M. Kraus and The Andersons Farm Development Co., LLC (Incorporated by reference from Form 8-K filed July 5, 2006).

10.24 Loan agreement dated September 27, 2006 between The Andersons, Inc., the banks listed therein and U.S. Bank National Association as Administrative Agent (Incorporated by reference from Form 10-Q filed November 9, 2006).

10.25 Ninth Amendment to Loan Agreement, dated March 14, 2007, between The Andersons, Inc., as borrower, the lenders name herein, and U.S. National Bank Association as Agent and Lender (Incorporated by reference from Form 8-K filed March 19, 2007).

10.26 Form of Stock Only Stock Appreciation Rights Agreement (Incorporated by reference from Form 10-Q filed May 10, 2007)

10.27 Form of Performance Share Award Agreement (Incorporated by reference from Form 10-Q filed May 10, 2007

10.28 Credit Agreement, dated February 25, 2008, between The Andersons, Inc., as borrower, and Wells Fargo Bank National Association, as lender (Incorporated by reference from Form 10-K filed February 28, 2008).

10.29 Note Purchase Agreement, dated March 27, 2008, between The Andersons, Inc., as borrowers, and several purchases with Wells Fargo Capital Markets acting as agent (Incorporated by reference from Form 8-K filed March 27, 2008).

10.30 First Amendment to Amended and Restated Loan Agreement, dated April 16, 2008, between The Andersons, Inc., as borrower, and several banks, with U.S. Bank National Association acting as agent and lender (Incorporated by reference from Form 8-K filed April 17, 2008).

10.31 Form of Stock Only Stock Appreciation Rights Agreement (Incorporated by reference from Form 10-Q filed May 9, 2008).

10.32 Form of Performance Share Award Agreement (Incorporated by reference from Form 10-Q filed May 9, 2008).

10.33 Fifth Amendment to Amended and Restated Loan Agreement, dated October 14, 2008, between The Andersons, Inc. as borrower, and several banks with U.S. National Bank Association acting as Agent and Lender (Incorporated by reference from Form 8-K filed October 20, 2008).

10.34 Form of Change in Control and Severance Participation Agreement (Incorporated by reference from Form 8-K filed January 13, 2009).

10.35 Change in Control and Severance Policy (Incorporated by reference form Form 8-K filed January 13, 2009).

10.36 Form of Performance Share Award Agreement (Incorporated by reference from Form 8-K filed March 6, 2009).

10.37 Form of Stock Only Stock Appreciation Rights Agreement (Incorporated by reference from Form 8-K filed March 6, 2009).

10.38 Form of Stock Only Stock Appreciation Rights Agreement - Non-Employee Directors (Incorporated by reference from Form 8-K filed March 6, 2009).

10.39 Second Amended and Restated Loan Agreement dated April 30, 2009 between The Andersons, Inc., as borrower, and U.S. Bank National Association acting as agent and lender (Incorporated by reference from Form 8-K filed May 6, 2009).

21 Consolidated Subsidiaries of The Andersons, Inc.

23 Consent of Independent Registered Public Accounting Firm.

31.1 Certification of President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a).

31.2 Certification of Vice President, Controller & CIO under Rule 13(a)-14(a)/15d-14(a).

31.3 Certification of Vice President, Finance and Treasurer under Rule 13(a)-14(a)/15d-14(a).

32.1 Certifications Pursuant to 18 U.S.C. Section 1350.

* Management contract or compensatory plan.

The Company agrees to furnish to the Securities and Exchange Commission a copy of any long-term debt instrument or loan agreement that it may request.

(b) Exhibits:

The exhibits listed in Item 15(a)(3) of this report, and not incorporated by reference, follow Financial Statement Schedule referred to in (d) below.

(c) Financial Statement Schedule

The financial statement schedule listed in 15(a)(2) follows Signatures.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE ANDERSONS, INC. (Registrant)

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date	Signature	Title	Date
/s/ Michael J. Anderson Michael J. Anderson	Chairman of the Board President and Chief Executive Officer (Principal Executive Officer)	2/26/10	/s/ John T. Stout, Jr. John T. Stout, Jr.	Director	2/26/10
/s/ Richard R. George Richard R. George	Vice President, Controller & CIO (Principal Accounting Officer)	2/26/10	/s/ Donald L. Mennel Donald L. Mennel	Director	2/26/10
/s/ Nicholas C. Conrad Nicholas C. Conrad	Vice President, Finance & Treasurer (Principal Financial Officer)	2/26/10	/s/ David L. Nichols David L. Nichols	Director	2/26/10
/s/ Gerard M. Anderson Gerard M. Anderson	Director	2/26/10	/s/ Ross W. Manire Ross W. Manire	Director	2/26/10
/s/ Robert J. King, Jr. Robert J. King, Jr.	Director	2/26/10	/s/ Charles A. Sullivan Charles A. Sullivan	Director	2/26/10
/s/ Catherine M. Kilbane Catherine M. Kilbane	Director	2/26/10	/s/ Jacqueline F. Woods Jacqueline F. Woods	Director	2/26/10

THE ANDERSONS, INC.
SCHEDULE II CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(in thousands) Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Transferred to Allowance for Notes Receivable	(1) Deductions	Balance at End of Period
Allowance for Doubtful Accounts Receivable Year ended December 31					
2009	$ 13,584	$4,973	$ (7,889)	$(1,915)	$ 8,753
2008	4,545	8,710	31	298	13,584
2007	2,404	3,267	(230)	(896)	4,545
Allowance for Doubtful Notes Receivable Year ended December 31					
2009	$ 134		$ 7,889	(73)	$ 7,950
2008	339		(31)	(174)	134
2007	39		230	29	339

(1) Uncollectible accounts written off, net of recoveries and adjustments to estimates for the allowance accounts.

THE ANDERSONS, INC.
EXHIBIT INDEX

Exhibit Number	
21	Consolidated Subsidiaries of The Andersons, Inc.
23.1	Consent of Independent Registered Public Accounting Firm
23.2	Consent of Independent Registered Public Accounting Firm
31.1	Certification of President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)
31.2	Certification of Vice President, Controller and CIO under Rule 13(a)-14(a)/15d-14(a)
31.3	Certification of Vice President, Finance and Treasurer under Rule 13(a)-14(a)/15d-14(a)
32.1	Certifications Pursuant to 18 U.S.C. Section 1350