ANDERSONS INC
Form 10-Q
August 08, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2008
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________
Commission file number 000-20557
THE ANDERSONS, INC.
(Exact name of the registrant as specified in its charter

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

(419) 893-5050
(Telephone Number)
(Former name, former address and former fiscal year, if changed since last report.)

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

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

Large accelerated filer [X]	Accelerated filer [ ]	Non-accelerated filer [ ]	Smaller reporting company [ ]

(Do not check if a smaller reporting company)

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

The registrant had approximately 18.1 million common shares outstanding, no par value, at July 31, 2008.

THE ANDERSONS, INC.

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Part I. Financial Information

Item 1. Financial Statements

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

	June 30, 2008	December 31, 2007	June 30, 2007
Current assets:			
Cash and cash equivalents	$ 33,379	$ 22,300	$ 28,945
Restricted cash	3,664	3,726	3,756
Accounts and notes receivable, net	194,243	106,257	138,451
Margin deposits, net	79,017	20,467	27,139
Inventories:			
Grain	230,781	376,739	124,530
Agricultural fertilizer and supplies	119,680	63,325	35,693
Lawn and garden fertilizer and corncob products	22,043	29,286	18,906
Railcar repair parts	3,519	4,054	3,524
Retail merchandise	30,463	29,182	32,963
Other	353	318	309
	406,839	502,904	215,925
Commodity derivative assets current	493,571	205,956	47,634
Railcars available for sale	1,971	1,769	4,071
Deferred income taxes	4,827	2,936	--
Prepaid expenses and other current assets	33,632	38,576	22,236
Total current assets	1,251,143	904,891	488,157
Other assets:			
Pension asset	7,229	10,714	1,531
Commodity derivative asset noncurrent	84,297	29,458	27,169
Other assets and notes receivable, net	11,655	7,892	8,266
Investments in and advances to affiliates	137,121	118,912	96,680
	240,302	166,976	133,646
Railcar assets leased to others, net	152,879	153,235	146,567
Property, plant and equipment:			
Land	13,560	11,670	12,126
Land improvements and leasehold improvements	37,224	36,031	34,772
Buildings and storage facilities	114,786	109,301	107,423
Machinery and equipment	144,767	137,639	134,833
Software	8,631	7,450	7,296
Construction in progress	3,258	6,133	7,202
	322,226	308,224	303,652
Less allowances for depreciation and amortization	(212,080)	(208,338)	(204,535)

		110,146	99,886		99,117
Total assets	**$**	**1,754,470**	$ 1,324,988	$	867,487

See notes to condensed consolidated financial statements

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

	June 30, 2008	December 31, 2007	June 30, 2007
Current liabilities:			
Short-term borrowings	**$ 432,500**	$ 245,500	$ 77,000
Accounts payable for grain	**76,409**	143,479	33,262
Other accounts payable	**168,466**	115,016	107,858
Customer prepayments and deferred revenue	**29,925**	38,735	18,417
Commodity derivative liabilities current	**160,611**	122,488	39,481
Accrued expenses	**51,340**	38,176	30,704
Deferred income taxes current	**--**	--	402
Current maturities of long-term debt non-recourse	**13,175**	13,722	13,357
Current maturities of long-term debt	**11,481**	10,096	11,196
Total current liabilities	**943,907**	727,212	331,667
Deferred income and other long-term liabilities	**3,910**	6,172	3,705
Commodity derivative liabilities noncurrent	**19,923**	2,090	26,002
Employee benefit plan obligations	**19,880**	18,705	21,617
Long-term debt non-recourse, less current maturities	**47,934**	56,277	64,382
Long-term debt, less current maturities	**281,496**	133,195	87,150
Deferred income taxes	**29,268**	24,754	14,825
Total liabilities	**1,346,318**	968,405	549,358
Minority interest	**12,471**	12,219	13,120
Shareholders equity:			
Common shares, without par value (25,000 shares authorized; 19,198 shares issued)	**96**	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)	**--**	--	--
Additional paid-in-capital	**171,571**	168,286	164,205
Treasury shares (1,074; 1,195, and 1,316 shares at 6/30/08, 12/31/07 and 6/30/07, respectively; at cost)	**(16,242)**	(16,670)	(16,354)
Accumulated other comprehensive loss	**(10,099)**	(7,197)	(11,518)
Retained earnings	**250,355**	199,849	168,580
	395,681	344,364	305,009
Total liabilities, minority interest and shareholders equity	**$ 1,754,470**	$ 1,324,988	$ 867,487

See notes to condensed consolidated financial statements

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

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Sales and merchandising revenues	**$ 1,100,700**	$ 634,214	**$ 1,813,701**	$ 1,040,717
Cost of sales and merchandising revenues	**980,363**	562,378	**1,641,123**	924,496
Gross profit	**120,337**	71,836	**172,578**	116,221
Operating, administrative and general expenses	**49,109**	40,196	**88,695**	77,947
Allowance for doubtful accounts	**864**	411	**2,569**	644
Interest expense	**8,521**	4,190	**17,643**	9,212
Other income/gains:				
Equity in earnings of affiliates	**7,781**	4,823	**16,420**	7,655
Other income, net	**2,155**	7,068	**5,039**	16,941
Minority interest in net (income) loss of subsidiaries	**682**	433	**(253)**	516
Income before income taxes	**72,461**	39,363	**84,877**	53,530
Income tax expense	**26,835**	13,875	**31,428**	18,803
Net income	**$ 45,626**	$ 25,488	**$ 53,449**	$ 34,727
Per common share:				
Basic earnings	**$ 2.53**	$ 1.43	**$ 2.96**	$ 1.96
Diluted earnings	**$ 2.48**	$ 1.40	**$ 2.91**	$ 1.90
Dividends paid	**$ 0.0775**	$ 0.0475	**$ 0.155**	$ 0.095
Weighted average shares outstanding basic	**18,065**	17,792	**18,046**	17,761
Weighted average shares outstanding - diluted	**18,380**	18,245	**18,383**	18,260

See notes to condensed consolidated financial statements

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

	Six months ended June 30, 2008	Six months ended June 30, 2007
Operating Activities		
Net income	**$ 53,449**	$ 34,727
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Depreciation and amortization	**13,900**	12,747
Allowance for doubtful accounts receivable	**2,569**	644
Minority interest in income (loss) of subsidiaries	**253**	(516)
Equity earnings of unconsolidated affiliates, net of distributions received	**2,391**	(1,351)
Realized gains on sales of railcars and related leases	**(3,317)**	(5,048)
Excess tax benefit from share-based payment arrangement	**(1,502)**	(2,804)
Deferred income taxes	**2,010**	1,219
Stock based compensation expense	**2,657**	2,182
Gain on donation of equity securities	**--**	(4,773)
Other	**6**	(22)
Changes in operating assets and liabilities:		
Accounts and notes receivable	**(69,946)**	(51,397)
Inventories	**102,443**	80,532
Commodity derivatives and margin deposits	**(345,048)**	15,310
Prepaid expenses and other assets	**4,586**	8,701
Accounts payable for grain	**(67,071)**	(62,653)
Other accounts payable and accrued expenses	**46,559**	11,506
Net cash (used in) provided by operating activities	**(256,061)**	39,004
Investing Activities		
Acquisition of business, net of $0.3 million cash acquired	**(6,699)**	--
Purchases of railcars	**(55,123)**	(37,213)
Proceeds from sale or financing of railcars and related leases	**41,331**	36,319
Purchases of property, plant and equipment	**(7,833)**	(10,467)
Proceeds from sale of property, plant and equipment and other	**129**	892
Investments in affiliates	**(20,600)**	(36,249)
Net cash used in investing activities	**(48,795)**	(46,718)
Financing Activities		
Net increase in short-term borrowings	**187,000**	2,000
Proceeds received from minority interest	**--**	13,673
Proceeds received from issuance of long-term debt	**201,535**	6,216
Payments on long-term debt	**(61,574)**	(4,268)
Payments of non-recourse long-term debt	**(8,891)**	(7,256)
Proceeds from issuance of treasury shares to employees and directors	**1,057**	1,781

Payments of debt issuance costs	**(1,893)**	--
Dividends paid	**(2,801)**	(1,689)
Excess tax benefit from share-based payment arrangement	**1,502**	2,804
Net cash provided by financing activities	**315,935**	13,261
Increase in cash and cash equivalents	**11,079**	5,547
Cash and cash equivalents at beginning of period	**22,300**	23,398
Cash and cash equivalents at end of period	**$ 33,379**	$ 28,945

See notes to condensed consolidated financial statements

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

	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at December 31, 2006	$ 96	$ 159,941	$ (16,053)	$ (9,735)	$ 135,926	$ 270,175
Net income					68,784	68,784
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						71,322
Impact of adoption of FIN 48					(383)	(383)
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)
Balance at December 31, 2007	96	168,286	(16,670)	(7,197)	199,849	344,364
Net income					**53,449**	**53,449**
Other comprehensive income:						
				(2,921)		**(2,921)**

Unrecognized actuarial loss and prior service costs (net of income tax of $1,716)						
Cash flow hedge activity (net of income tax of $11)				**19**		**19**
Comprehensive income						**50,547**
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of $1,821 (121 shares)		**3,285**	**428**			**3,713**
Dividends declared ($0.1625 per common share)					**(2,943)**	**(2,943)**
Balance at June 30, 2008	**$ 96**	**$ 171,571**	**$ (16,242)**	**$ (10,099)**	**$ 250,355**	**$ 395,681**

See notes to condensed consolidated financial statements

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

Note A: Basis of Presentation and Consolidation

These unaudited condensed consolidated financial statements include the accounts of The Andersons, Inc. and its wholly and 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. Operating results for the three and six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2008.

The year-end condensed consolidated balance sheet data at December 31, 2007 was derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. A condensed consolidated balance sheet as of June 30, 2007 has been included as the Company operates in several seasonal industries.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in The Andersons, Inc. Annual Report on Form 10-K for the year ended December 31, 2007.

Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation. These reclassifications are not considered material and had no effect on net income or shareholders equity as previously presented.

In the fourth quarter of 2007, the Company discovered that certain costs within the Rail Group were erroneously recorded in cost of sales rather than in operating, administrative and general expense. These amounts have been reclassified to the proper income statement lines and the income statements for the three and six months ended June 30, 2007 have been revised to conform to the current presentation. These reclassifications are not considered material and had no effect on the balance sheet, net income, statement of cash flows or shareholders equity as previously reported.

Note B: FSP FIN 39-1

In the second quarter of 2007, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FIN 39-1 (FSP FIN 39-1), which permits 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 futures, options 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. Under FSP 39-1 and consistent with the balance sheets presented herein, the Company nets, by counterparty, its futures and over-the-counter positions against the cash collateral provided. 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 June 30, 2008, December 31, 2007 and June 30, 2007, the margin deposit assets and margin deposit liabilities consisted of the following:

	June 30, 2008		December 31, 2007		June 30, 2007	
	Margin deposit assets	Margin deposit liabilities	Margin deposit assets	Margin deposit liabilities	Margin deposit assets	Margin deposit liabilities
Cash collateral	$ 276,285	$ 45,884	$ 114,933	$ 11,673	$ 24,239	$ --
Fair value of derivatives	(197,268)	(70,257)	(94,466)	(24,466)	2,900	--
Balance at end of period	$ 79,017	$ (24,373)	$ 20,467	$ (12,793)	$ 27,139	--

Note C: Earnings Per Share

Basic earnings per share is equal to net income divided by weighted average shares outstanding. Diluted earnings per share is equal to basic earnings per share plus the incremental per share effect of dilutive options, unvested restricted shares, and other stock-based awards.

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2008	**2007**	**2008**	**2007**
Weighted average shares outstanding basic	**18,065**	17,792	**18,046**	17,761
Restricted shares and shares contingently issuable upon exercise of options	**315**	453	**337**	499
Weighted average shares outstanding - - diluted	**18,380**	18,245	**18,383**	18,260

There were approximately 59,000 and 28,000 anti-dilutive stock-based awards outstanding in the second quarter of 2008 and 2007, respectively. In the first six months of 2008 and 2007, there were approximately 28,000 and 5,000, respectively, anti-dilutive stock-based awards outstanding.

Note D: Employee Benefit Plans

Included as charges against income for the three and six months ended June 30, 2008 and 2007 are the following amounts for pension and postretirement benefit plans maintained by the Company:

	Pension Benefits			
(in thousands)	Three months ended June 30		Six months ended June 30,	
	2008	**2007**	**2008**	**2007**
Service cost	**$ 696**	$ 665	**$ 1,333**	$ 1,329
Interest cost	**983**	784	**1,807**	1,568
Expected return on plan assets	**(1,249)**	(1,141)	**(2,518)**	(2,283)
Amortization of prior service cost	**(155)**	(159)	**(310)**	(317)
Recognized net actuarial loss	**345**	232	**472**	536
Benefit cost	**$ 620**	$ 381	**$ 784**	$ 833

	Postretirement Benefits			
	Three months ended		Six months ended	

(in thousands)	June 30		June 30,	
	2008	2007	**2008**	2007
Service cost	**$ 100**	$ 109	**$ 187**	$ 218
Interest cost	**283**	290	**562**	581
Amortization of prior service cost	**(127)**	(127)	**(255)**	(255)
Recognized net actuarial loss	**178**	198	**305**	396
Benefit cost	**$ 434**	$ 470	**$ 799**	$ 940

The Company made contributions to its defined benefit pension plan of $1.3 million in the first six months of 2008 and 2007. The Company currently expects to make a total contribution of approximately $5.0 million in fiscal 2008, which exceeds the required minimum contribution. The Company contributed $7.0 million in fiscal 2007.

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The postretirement benefit plan is not funded. Company contributions in the quarter represent actual claim payments and insurance premiums for covered retirees. The Company made payments of $0.2 million in both the second quarters of 2008 and 2007. For the six months ended June 30, 2008 and 2007, the Company made payments of $0.4 million and $0.5 million, respectively.

Note E: Segment Information

Results of Operations Segment Disclosures (in thousands)

Second Quarter 2008	**Grain & Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	**$ 695,787**	**$ 42,941**	**$ 273,501**	**$ 35,915**	**$ 52,556**	**$ --**	**$ 1,100,700**
Inter-segment sales	**7**	**104**	**1,973**	**333**	**--**	**--**	**2,417**
Equity in earnings of affiliates	**7,780**	**--**	**1**	**--**	**--**	**--**	**7,781**
Other income, net	**1,222**	**340**	**180**	**96**	**161**	**156**	**2,155**
Interest expense (income) (a)	**6,684**	**1,082**	**1,555**	**397**	**217**	**(1,414)**	**8,521**
Income (loss) before income taxes	**19,994**	**4,874**	**47,369**	**1,882**	**3,360**	**(5,018)**	**72,461**
Identifiable assets	**1,124,226**	**205,178**	**257,003**	**58,533**	**54,116**	**55,414**	**1,754,470**

Second Quarter 2007	**Grain & Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	$ 323,580	$ 42,445	$ 182,908	$ 30,394	$ 54,887	$ --	$ 634,214
Inter-segment sales	--	272	937	376	--	--	1,585
Equity in earnings of affiliates	4,823	--	--	--	--	--	4,823
Other income, net	3,538	431	300	133	158	2,508	7,068
Interest expense (a)	1,079	1,701	524	454	285	147	4,190
Income (loss) before income taxes	11,981	6,902	17,117	706	3,616	(959)	39,363
Identifiable assets	394,614	189,270	127,025	50,043	59,443	47,092	867,487

Six months ended 2008	**Grain & Ethanol**	**Rail**	**Plant Nutrient**	**Turf& Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	**$ 1,194,910**	**$ 77,952**	**$ 378,970**	**$ 75,576**	**$ 86,293**	**$ --**	**$ 1,813,701**
Inter-segment sales	**10**	**233**	**7,429**	**750**	**--**	**--**	**8,422**
Equity in earnigs of affiliates	**16,417**	**--**	**3**	**--**	**--**	**--**	**16,420**
Other income (loss), net	**3,758**	**518**	**324**	**189**	**308**	**(58)**	**5,039**
Interest expense (income) (a)	**12,988**	**2,062**	**2,093**	**822**	**406**	**(728)**	**17,643**
	22,227	**11,300**	**54,909**	**3,882**	**(17)**	**(7,424)**	**84,877**

Income (loss) before income taxes

Six months ended 2007	**Grain & Ethanol**	**Rail**	**Plant Nutrient**	**Turf & Specialty**	**Retail**	**Other**	**Total**
Revenues from external customers	$ 567,523	$ 68,361	$ 249,468	$ 66,698	$ 88,667	$ --	$ 1,040,717
Inter-segment sales	--	474	4,791	835	--	--	6,100
Equity in earnings of affiliates	7,652	--	3	--	--	--	7,655
Other income, net	9,523	522	453	195	318	5,930	16,941
Interest expense (income) (a)	4,212	3,074	878	937	467	(356)	9,212
Income before income taxes	22,151	9,910	17,548	2,506	1,329	86	53,530

(a) The interest income reported in Other includes net interest income at the corporate level. These amounts result from a rate differential between the interest rate at which interest is allocated to the operating segments and the actual rate at which borrowings are made.

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Note F: Equity Method Investments and Related Party Transactions

The Company, directly or indirectly, holds investments in six limited liability companies that are accounted for under the equity method. The Company s investment 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. Substantially all of these purchases and subsequent sales are done through forward contracts on matching terms and, therefore, the Company does not recognize any gross profit on the sales transactions. For the three months ended June 30, 2008 and 2007, sales of ethanol were $120.7 million and $56.9 million, respectively. For the six months ended June 30, 2008 and 2007, sales of ethanol for the Company were $223.3 million and $85.6 million, respectively. In addition to the ethanol marketing agreements, the Company holds corn origination agreements, in which the Company originates 100% of the corn used in production for each ethanol LLCs as well as distillers dried grains (DDG) marketing agreements in which the Company markets 100% of the DDG produced. For each of the services, the Company receives a unit based fee.

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

(in thousands)	% ownership at June 30, 2008 direct /indirect	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
The Andersons Albion Ethanol LLC (TAAE)	49 %	**$ 1,740**	$ 4,135	**$ 3,771**	$ 7,290
The Andersons Clymers Ethanol LLC (TACE)	37 %	**2,245**	(123)	**5,968**	(1,082)
The Andersons Marathon Ethanol LLC (TAME)	50 %	**(2,618)**	(367)	**(5,115)**	(728)
Lansing Trade Group LLC (LTG)	50 %	**6,413**	1,178	**11,677**	2,582
Other	23%-33%	**1**	--	**119**	(407)
Total		**$ 7,781**	$ 4,823	**$ 16,420**	$ 7,655

The Company, along with another strategic partner, formed The Andersons Ethanol Investment LLC (TAEI) in February of 2007. The Company has a 66% ownership in TAEI, which is a consolidated subsidiary. TAEI was formed to hold a 50% investment in TAME as well as carry on risk management activities by way of derivative instruments, to mitigate some of the price risk that results from the fact that TAME currently does not lock in prices for its inputs and outputs through forward contracting. Because TAEI is a consolidated subsidiary, the losses realized from TAEI s investment in TAME, as well as the mark-to-market impact of its derivatives are shown at the full amounts on the Company s financial statements with the offset to minority interest in net income (loss) of subsidiary. As a result of the risk management activities of TAEI, the Company was able to economically offset its share of losses from its investment in TAME by $0.4 million and $5.6 million for the three and six months ended June 30, 2008, respectively.

The Company increased its investment in Lansing Trade Group LLC in the first quarter of 2008 by $20.5 million. In July, the Company invested an additional $11.1 million and now holds a 49.9% interest.

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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.

(in thousands)	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Sales and revenues	**$ 157,736**	$ 71,510	**$ 272,831**	$ 99,397
Purchases of product	**107,221**	55,064	**206,636**	83,375
Lease income	**1,419**	1,210	**2,898**	2,179
Labor and benefits reimbursement (a)	**2,463**	1,650	**4,954**	2,833
Accounts receivable at June 30,	**12,736**	15,883		
Accounts payable at June 30,	**24,778**	6,647		

(a) The Company provides employee and administrative support to the ethanol LLCs, and charges them an allocation of the Company s costs of the related services.

Note G: Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value as an exit price, establishes a framework for measuring fair value within generally accepted accounting principles and expands the required disclosures about fair value measurements. The Company adopted SFAS 157 as of January 1, 2008 for assets and liabilities measured at fair value on a recurring basis. SFAS 157 is effective for items that are recognized or disclosed at fair value on a non-recurring basis beginning January 1, 2009.

SFAS 157 defines fair value as an exit price, which 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, SFAS 157 established a three-tier fair value hierarchy, 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 measured at fair value on a recurring basis under SFAS 157 at June 30, 2008.

(in thousands)

Assets (liabilities)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 33,379	$ --	$ --	$ 33,379
Commodity derivatives, net	--	386,398	10,936	397,334
Net margin deposit assets	79,107	--	--	79,107
Net margin deposit liabilities	--	(24,373)	--	(24,373)
Other assets and liabilities (a)	9,923	--	(1,011)	8,912
Total	$ 122,409	$ 362,025	$ 9,925	$ 494,359

(a) Included in other assets and liabilities is restricted cash, interest rate derivatives, assets held in a VEBA for healthcare benefits and deferred compensation assets.

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

(in thousands)	Interest rate derivatives	Commodity derivatives, net	Total
Asset (liability) at December 31, 2007	$ (1,167)	$ 5,561	$ 4,394
Unrealized gains (losses) included in earnings	(152)	3,346	3,194
Unrealized gain included in other comprehensive income	(545)	--	(545)
Transfers from level 2	--	161	161
Contracts cancelled, transferred to accounts receivable	--	(1,837)	(1,837)
Asset (liability) at March 31, 2008	$ (1,864)	$ 7,231	$ 5,367
Unrealized gains (losses) included in earnings	126	3,705	3,831
Unrealized gain included in other comprehensive income	565	--	565
New contracts entered into	162	--	162
Asset (liability) at June 30, 2008	$ (1,011)	$ 10,936	$ 9,925

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.

Our net commodity derivatives primarily consist of contracts that we have with our 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 Board of Trade (CBOT) or the New York Merchantile 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 counterparty risk is present in each of these commodity contracts, based on our historical experience with our producers and customers and our knowledge of their businesses, we do not view counterparty risk to be a significant input to fair value for the majority of these commodity contracts. However, in situations where we believe that counterparty risk is higher (based on our past or present experience with a customer or our knowledge of the customer s operations or financial condition), we classify these commodity contracts as level 3 in the fair value hierarchy and, accordingly, record estimated fair value adjustments based on our internal projections and views of these contracts. At June 30, 2008, the commodity contracts considered level 3 are limited to a small number of customers. We review our counterparty risk on commodity contracts on a quarterly basis and adjust the fair value of these contracts to reflect our best estimate. The quantitative amount of our counterparty risk has been significantly mitigated subsequent to the end of the second quarter due to falling commodity prices.

Net margin deposit assets reflect the fair value of the futures and options contracts that we have through the CBOT, net of the cash collateral that we have in our margin account with them.

Net margin deposit liabilities reflect the fair value of the Company s over-the-counter, ethanol-related futures and options contracts that we have with various financial institutions, net of the cash collateral that we have in our 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 view counterparty risk on these contracts to be significant.

Note H: Change in Estimate of Depreciable Lives

In the first quarter of 2008, the Company changed its estimate of the service lives of depreciable railcar assets leased to others. Railcars have statutory lives of either 40 or 50 years (measured from the date built)

depending on type and year built. Prior to 2008, the Company s policy for depreciating railcar assets leased to others was based on the shorter of the railcars remaining statutory life or 15 years. This was thought to be the most appropriate method as the Company has historically purchased older cars. Beginning in 2008, the Company has changed its estimation of the useful lives of railcar assets leased to others that have a statutory life of 50 years. These cars will be depreciated based on 80% of the railcars remaining statutory life. This change was driven by an evaluation of our historical disposal data and the fact that the Company has begun to purchase newer cars. The impact of this change in estimate was not material to the Company s financial results.

Note I: Business Acquisition

On May 1, 2008, the Company acquired 100% of the shares of Douglass Fertilizer & Chemical, Inc. for $8.1 million. With 2007 sales of $47 million Douglass Fertilizer is primarily a specialty liquid nutrient manufacturer, retailer and wholesaler and operates facilities located in Florida as well as the Caribbean. Douglass Fertilizer is part of the Plant Nutrient Group and diversifies the Group s product line offering and expands its market outside of the traditional Midwest row crops and into Florida s specialty crops. The final purchase price for Douglass Fertilizer is subject to adjustment based on completion of the closing audit and additional acquisition costs which have not been finalized. Any adjustments are not expected to be significant. The final purchase price allocation for Douglass Fertilizer is expected to be completed in the third quarter of 2008. The preliminary purchase price allocation to assets and liabilities is as follows:

Cash	$ 350
Other current assets	15,779
Intangible assets	3,120
Other long term assets	924
Property, plant and equipment	9,264
Current liabilities	(8,403)
Current maturities of long term debt	(7,570)
Long term debt	(2,156)
Other long term liabilities	(3,164)
	$ 8,144(a)

(a) Of the $8.1 million purchase price, $1.1 million remained in other accounts payable at June 30, 2008 to be paid upon completion of the audit.

Note J: Debt Agreements

During the first quarter of 2008, the Company borrowed $195 million under a long-term note purchase agreement. The notes were issued in three series. The first series was for $92 million at an interest rate of 4.8%, payable in full in March of 2011. The second series was for $61.5 million at an interest rate of 6.12%, payable in full in March of 2015. The last series was for $41.5 million at an interest rate of 6.78% and is payable in full in March of 2018. In addition, the Company amended its line of credit arrangement in April 2008 which now provides the Company with $655 million in short-term lines of credit and a temporary flex line, maturing in October 2008, which allows the Company an additional $247 million of borrowing capacity. At June 30, 2008, the Company had drawn $432.5 million on its line of credit.

Note K: Recently Issued Accounting Pronouncements

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Emerging Issues Task Force (EITF) 03-6-1 Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities. Under FSP No. EITF 03-6-1, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities and should be included in the computation of both basic and diluted earnings per share. FSP No. EITF 03-6-1 is effective for the Company beginning January 1, 2009. The Company is currently evaluating the impact of

FSP No. EITF 03-6-1 and will apply the standard prospectively beginning in the first quarter of 2009. The impact on both basic and diluted earnings per share is not expected to be material.

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In February 2008, the FASB issued FSP No. 157-2 Effective Date of FASB Statement No. 157. FSP No. 157-2 delays for one year the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities measured at fair value on a nonrecurring basis. The Company will adopt FSP No. 157-2 beginning January 1, 2009 and is currently evaluating the impact the new standard will have on its results of operations.

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

Forward Looking Statements

The following Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements which relate to future events or future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by these forward-looking statements. You are urged to carefully consider these risks and others, including those risk factors listed under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007 (2007 Form 10-K). In some cases, you can identify forward-looking statements by terminology such as may, anticipates, believes, estimates, predicts, or the negativ these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. These forward-looking statements relate only to events as of the date on which the statements are made and the Company undertakes no obligation, other than any imposed by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Critical Accounting Policies and Estimates

Our critical accounting policies and critical accounting estimates, as described in our 2007 Form 10-K, have not materially changed during the first six months of 2008 other than the changes to the Company s fair value measurements as described in Note G: Fair Value Measurements, included elsewhere herein.

Executive Overview

Grain & Ethanol Group

The Grain & Ethanol Group operates grain elevators in Ohio, Michigan, Indiana and Illinois. In addition to storage and merchandising, the Group performs grain trading, risk management and other services for its customers. The Group is also the developer and significant investor in three ethanol facilities located in Indiana, Michigan and Ohio with a nameplate capacity of 275 million gallons. In addition to its investment in these facilities, the Group operates the facilities under management contracts and provides grain origination, ethanol and distillers dried grains (DDG) marketing and risk management services for which it is separately compensated. The Group is also a significant investor in Lansing Trade Group LLC, an established trading business with offices throughout the country and internationally. See Note F for further discussion with respect to our transactions with these entities.

The agricultural commodity-based business is one in which changes in selling prices generally move in relationship to changes in purchase prices. Therefore, increases or decreases in prices of the agricultural commodities that the Company deals in, will have a relatively equal impact on sales and cost of sales and a minimal impact on gross profit. As a result, the significant increase in sales for the period is not necessarily indicative of the Group s overall performance and more focus should be placed on changes to merchandising revenues and service income.

Grain inventories on hand at June 30, 2008 were 39.8 million bushels, of which 11.0 million bushels were stored for others. This compares to 43.5 million bushels on hand at June 30, 2007, of which 14.8 million bushels were stored for others.

Despite the recent flooding in the Midwest, the U.S. Department of Agriculture reports that U.S. farmers are expected to harvest nearly 79 million acres of corn and more than 72 million acres of soybeans in 2008.

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This is a 9% decrease in corn acres harvested over 2007 but still the second largest area since 1944. The 72 million acres of soybeans expected to be harvested in 2008 is a 15% increase over 2007. Currently, planted corn rated as good to excellent in the four state region in which the company has facilities (Illinois, Ohio, Indiana, Michigan) was 71% compared to 49% at the same time last year. Planted soybeans rated as good to excellent is currently 61%, compared to 48% this time last year. The 2008 wheat harvest is nearly complete and the quality of the wheat being received into our facilities is good.

Unprecedented market conditions have caused grain prices to rise significantly over the past year. Many customers have forward contracts with the Company to sell grain to us at prices lower than the current market price. Because of this, the risk of counterparty nonperformance has risen substantially. The Company will continue to monitor the nonperformance risk of its counterparties and will adjust the fair value of their open contracts if appropriate. See Note G for further discussion regarding the fair value of our commodity contracts and associated counterparty risk.

In May 2008, the Company renewed its marketing agreement with Cargill, that covers certain of its grain facilities.

The ethanol industry continues to be impacted by volatility in the commodity markets for both its production inputs and outputs as well as by government policy. For the 2008 quarter and year-to-date periods, the pricing relationship between corn and ethanol has had a significant impact on the results of the Company s ethanol LLCs. The Company will continue to monitor this volatility and its impact very closely, including any impact on the recoverability of our investments in the ethanol LLCs.

Rail Group

The Rail Group buys, sells, leases, rebuilds and repairs various types of used railcars and rail equipment. The Group also provides fleet management services to fleet owners and operates a custom steel fabrication business. The Group has a diversified fleet of car types (boxcars, gondolas, covered and open top hoppers, tank cars and pressure differential cars) and locomotives and also serves a diversified customer base.

Railcars and locomotives under management (owned, leased or managed for financial institutions in non-recourse arrangements) at June 30, 2008 were 23,840 compared to 22,654 at June 30, 2007. The Group s average utilization rate (railcars and locomotives under management that are under lease, exclusive of railcars managed for third party investors) has increased slightly from 92.2% for the six months ended June 30, 2007 to 93.3% for the six months ended June 30, 2008. The average lease rate per car for the first six months of 2008 is comparable to those for the first six months of 2007.

In April 2008, operations began at the Group s repair shop in Anaconda, Montana. This brings the total number of repair shops to six. The Group will continue to evaluate opportunities for additional repair shops in the future.

Plant Nutrient Group

The Company s Plant Nutrient Group purchases, stores, formulates, manufactures and sells dry and liquid fertilizer to dealers and farmers as well as sells reagents for air pollution control technologies used in coal-fired power plants. In addition, they provide warehousing and services to manufacturers and customers, formulate liquid anti-icers and deicers for use on roads and runways and distribute seeds and various farm supplies. The major fertilizer ingredients sold by the Company are nitrogen, phosphate and potash.

The continued escalation in nutrient prices has played a significant role in the Plant Nutrient Group s performance for the quarter and year-to-date and will continue to play a significant role for the remainder of the year.

On May 1, 2008, the Company acquired 100% of the shares of Douglass Fertilizer & Chemical, Inc. This acquisition diversifies the Group s product line offering and expands its geographic market outside of the traditional Midwest row crops and into Florida s rich specialty crops. In addition, on August 5, 2008, the Company acquired three pelleted lime production facilities in Ohio, Illinois, and Nebraska to expand its pelleted lime capabilities.

Turf & Specialty Group

The Turf & Specialty Group produces granular fertilizer products for the professional lawn care and golf course markets. It also produces private label fertilizer and corncob-based animal bedding and cat litter for the consumer markets. The turf products industry is highly seasonal, with the majority of sales occurring from early spring to early summer. Corncob-based products are sold throughout the year.

At the end of the fourth quarter of 2007, a new manufacturing facility, built to manufacture a patented fertilizer product primarily for use on golf course greens, became fully operational. With this increased capacity, the Group has launched several new products for the 2008 season and sales volume is better than expected. The focus for the remainder of the year will be to keep up with the demand.

Retail Group

The Retail Group includes six stores operated as The Andersons, which are located in the Columbus, Lima and Toledo, Ohio markets. In the second quarter 2007, the Group opened a new specialty food store operated as The Andersons Market, located in the Toledo, Ohio market. The Group also operates a sales and service facility for outdoor power equipment near one of its conventional retail stores. The retail concept is *More for Your Home* ® and the conventional retail stores focus on providing significant product breadth with offerings in home improvement and other mass merchandise categories, as well as specialty foods, wine and indoor and outdoor garden centers.

The retail business is highly competitive. The Company competes with a variety of retail merchandisers, including home centers, department and hardware stores, as well as local and national grocers. The focus for 2008 is to increase sales in all of the Group s market areas and continue to refine its new concept food market to align with customer needs.

Other

The Other business segment of the Company represents corporate functions that provide support and services to the operating segments. The results contained within this segment include expenses and benefits not allocated back to the operating segments.

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Operating Results

(in thousands)	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Sales and merchandising revenues	**$ 1,100,700**	$ 634,214	**$ 1,813,701**	$ 1,040,717
Cost of sales	**980,363**	562,378	**1,641,123**	924,496
Gross profit	**120,337**	71,836	**172,578**	116,221
Operating, administrative and general	**49,109**	40,196	**88,695**	77,947
Allowance for doubtful accounts	**864**	411	**2,569**	644
Interest expense	**8,521**	4,190	**17,643**	9,212
Equity in earnings of affiliates	**7,781**	4,823	**16,420**	7,655
Other income, net	**2,155**	7,068	**5,039**	16,941
Minority interest in net (income) loss of subsidiaries	**682**	433	**(253)**	516
Income before income taxes	**$ 72,461**	$ 39,363	**$ 84,877**	$ 53,530

The following discussion focuses on the operating results as shown in the consolidated statements of income with a separate discussion by segment. Additional segment information is included in the notes to the condensed consolidated financial statements herein in Note E: Segment Information.

Comparison of the three months ended June 30, 2008 with the three months ended June 30, 2007:

Grain & Ethanol Group

(in thousands)	Three months ended June 30, 2008	Three months ended June 30, 2007
Sales and merchandising revenues	**$ 695,787**	$ 323,580
Cost of sales	**666,592**	308,326
Gross profit	**29,195**	15,254
Operating, administrative and general	**11,419**	10,768
Allowance for doubtful accounts	**782**	220
Interest expense	**6,684**	1,079
Equity in earnings of affiliates	**7,780**	4,823
Other income, net	**1,222**	3,538
Minority interest in net (income) loss of subsidiaries	**682**	433
Income before income taxes	**$ 19,994**	$ 11,981

Operating results for the Grain & Ethanol Group increased $8.0 million over the results from the same period last year. Sales of grain increased $304.9 million, or 120%, and is the result of a 78% increase in the average price per bushel of grain sold and a 24% increase in volume. A majority of the volume increase is the result of corn sales to one of the ethanol LLCs that the Company has an investment in and which became operational in the first quarter of 2008. The increase in the average price per bushel sold is the result of the increased demand for corn which has caused the price of all grains to rise significantly. Sales of ethanol increased $63.8 million, or 112%, and is the result of an 89%

increase in volume coupled with a 12% increase in the average price per gallon sold. The increase in volume is the result of both additional sales from ethanol produced by the ethanol LLC mentioned previously in which the Company purchases a portion of the ethanol produced and sells it to third parties, as well as increases from another ethanol LLC that became operational during the middle of the second quarter of 2007. Gross profit on both corn and ethanol sales related to the Company s ethanol LLCs is largely limited to the service fees earned from origination and marketing agreements.

Merchandising revenues for the Group increased $1.4 million over the second quarter of 2007 and relates primarily to increased basis levels in soybeans partially offset by decreased basis levels in both corn and wheat. Basis is the difference between the local market price of a commodity and the Chicago Board of

Trade futures price. During the first quarter of 2008, the futures prices for corn, soybeans and wheat rose at substantially higher rates than the local spot prices. This caused the Group to incur losses on its forward purchase and sale contracts as well as its inventory. During the second quarter, the basis levels for soybeans appreciated, recovering some of the first quarter losses, however, for corn and wheat it did not. Revenues from services provided to the Company s ethanol LLCs were $4.9 million, a $2.1 million increase from the second quarter 2007, and is the result of having three operational plants versus just two in the second quarter of 2007.

Gross profit for the Group increased $13.9 million, or 91%, over the second quarter of 2007 due to a combination of increased merchandising revenues and ethanol service fees mentioned previously as well as increased position income which is income from futures and options positions taken which have not been directly related to a purchase or sale commitment. These increases have been partially offset by fair value adjustments to the Company s open commodity contracts of $4.7 million due to non-performance risk.

Operating expenses for the Group increased $0.7 million, or 6%, over the same period in 2007 and are spread amongst several expense items, primarily labor and benefits, and relate to growth within the Group. The allowance for doubtful accounts increased $0.6 million due to increases in the accounts receivable balance in total as well as some additional reserves taken for potential losses on grain contract cancellations due to non-delivery.

Interest expense for the Group increased $5.6 million over the same period in 2007. The significant increase in commodity prices and the need to cover margin calls is the main driver for the increased interest costs for the Group.

Equity in earnings of affiliates increased $3.0 million over the same period in 2007. Increases were recognized from the Group s investments in TACE and LTG. Decreases were recognized from the Group s investment s in TAAE and TAME. As a result of the risk management activities of TAEI, a majority owned subsidiary that holds the 50% ownership in TAME, the Company was able to economically offset its share of losses from TAME by $0.4 million.

Other income decreased $2.3 million over the same period last year and relates to a business interruption insurance claim that was settled in the second quarter of 2007.

Rail Group

(in thousands)	Three months ended June 30, 2008	2007
Sales and merchandising revenues	**$ 42,941**	$ 42,445
Cost of sales	**33,841**	31,544
Gross profit	**9,100**	10,901
Operating, administrative and general	**3,541**	2,769
Allowance for doubtful accounts	**(57)**	(40)
Interest expense	**1,082**	1,701
Other income, net	**340**	431
Income before income taxes	**$ 4,874**	$ 6,902

Operating results for the Rail Group decreased $2.0 million, or 29%, over the second quarter of 2007. Leasing revenues increased $2.1 million, car sales decreased $2.2 million and sales in the Group s repair and fabrication shops increased $0.6 million. The increase in leasing revenues is attributable to the increase in the number of cars in the Group s rail fleet and has been partially offset by slightly decreasing lease rates for renewals. Car sales are down due to a very large sale that occurred in the second quarter of 2007. The increase in sales in the Group s repair and fabrication shops is due partially to the addition of a new shop in the second half of 2007.

Gross profit for the Group decreased $1.8 million, or 17% over the same period last year. Gross profit in the leasing business increased $0.9 million and can be attributed to the increased cars in the Group s rail fleet as well as a slight increase in gross profit as a percent of sales. Gross profit on car sales decreased

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$3.0 million and are the result of both decreased car sales in general and the fact that sales made in the second quarter of 2008 were non-recourse financings which typically have lower gross margin percentages. Gross profit in the repair and fabrication shops increased $0.3 million

Operating expenses for the Group increased $0.8 million, or 28%, over the same period last year and were spread among several expense categories.

Interest expense for the Group decreased $0.6 million as the Group continues to pay down its non-recourse long-term debt.

Plant Nutrient Group

(in thousands)	Three months ended June 30, 2008	Three months ended June 30, 2007
Sales and merchandising revenues	**$ 273,501**	$ 182,908
Cost of sales	**215,105**	159,517
Gross profit	**58,396**	23,391
Operating, administrative and general	**9,558**	5,863
Allowance for doubtful accounts	**95**	187
Interest expense	**1,555**	524
Equity in earnings of affiliates	**1**	--
Other income, net	**180**	300
Income before income taxes	**$ 47,369**	$ 17,117

Operating results for the Plant Nutrient Group increased $30.3 million, or 177%, over the second quarter of 2007. Sales and merchandising revenues increased $90.6 million, or 50%, due to a combination of the addition of Douglass Fertilizer to the Group, which contributed $11.3 million in sales, and a 72% increase in the average price per ton sold. The significant price appreciation in the commodities markets for the fertilizers that the Group sells has caused the significant increase in average selling price per ton. Gross profit for the Group increased $35.0 million, or 150%, and is primarily related to the increase in selling prices and $3.6 million from Douglass Fertilizer. While the cost per ton sold has increased as well, the Group was able to position itself well through purchasing strategies and has recognized a 9% increase in margin as a percent of sales.

Operating expenses for the Group increased $3.7 million, or 63%, over the same period last year. Approximately two-thirds of this increase came with the addition of Douglass Fertilizer. The remaining increase is spread across several expense categories.

Interest expense for the Group increased $1.0 million, or 197%, over the second quarter of 2007 and is due to the increased use of working capital.

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Turf & Specialty Group

(in thousands)	Three months ended June 30, 2008	2007
Sales and merchandising revenues	**$ 35,915**	$ 30,394
Cost of sales	**28,649**	25,227
Gross profit	**7,266**	5,167
Operating, administrative and general	**5,047**	4,104
Allowance for doubtful accounts	**36**	36
Interest expense	**397**	454
Other income, net	**96**	133
Income before income taxes	**$ 1,882**	$ 706

Operating results for the Turf & Specialty Group increased $1.2 million over results from the same period last year. Sales in the lawn fertilizer business increased $5.2 million, or 19%, due to a combination of increased volume and an increase in the average price per ton sold. The new product lines introduced in 2007 have been favorably received and are contributing to the increase in volume. Sales in the cob business increased 9%, and is also due to both an increase in volume and an increase in the average price per ton sold. Gross profit for the Group increased $2.1 million, or 41%, over the same period last year and is attributable to a 32% increase in margin per ton due to product mix changes. Operating expenses for the Group increased $0.9 million, or 23%, over the same period last year. This increase is spread across several expense categories, primarily labor, benefits and incentive compensation, and relate primarily to the new product lines added last year.

Retail Group

(in thousands)	Three months ended June 30, 2008	2007
Sales and merchandising revenues	**$ 52,556**	$ 54,887
Cost of sales	**36,176**	37,764
Gross profit	**16,380**	17,123
Operating, administrative and general	**12,956**	13,372
Allowance for doubtful accounts	**8**	8
Interest expense	**217**	285
Other income, net	**161**	158
Income before income taxes	**$ 3,360**	$ 3,616

Operating results for the Retail Group decreased $0.3 million over results from the same period last year. Sales and merchandising revenues decreased $2.3 million, or 4%, over the first three months of 2007. Customer counts were down 5% while the average sale per customer remained relatively flat. Decreased sales were experienced in each of the Group s market areas. Gross profit decreased $0.7 million, or 4%. Weak economic conditions and local competition have played a significant role in the decreased results for the quarter.

Operating expenses for the Group decreased $0.4 million, or 3%, due to the Group s continued efforts to reduce costs.

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Other

(in thousands)	Three months ended June 30, 2008	2007
Sales and merchandising revenues	**$ --**	$ --
Cost of sales	**--**	--
Gross profit	**--**	--
Operating, administrative and general	**6,588**	3,320
Interest expense (income)	**(1,414)**	147
Other income, net	**156**	2,508
Loss before income taxes	**$ (5,018)**	$ (959)

Net corporate operating expenses not allocated to business segments increased $3.3 million over the same period last year. This increase is comprised of several items including increased charitable contribution and corporate performance incentives due to Company performance and other corporate expense items not allocated to business segments.

The change in interest is a result of recovery of interest expense passed back to the operating Groups from the first quarter of 2008.

Other income decreased $2.3 million and is primarily due to the realized gain in the second quarter of 2007 on the donation of the Company s available-for-sale securities.

As a result of the above, pretax income of $72.5 million for the second quarter of 2008 was $33.1 million higher than pretax income of $39.4 million recognized in the second quarter of 2007. Income tax expense of $26.8 million was provided at 37.0%. The Company anticipates that its 2008 effective annual rate will be 36.7%. In the second quarter of 2007, income tax expense of $13.9 million was provided at a rate of 35.2%. The Company s actual 2007 effective tax rate was 35%. The primary driver behind the change in the effective tax rate for the quarter and the anticipated annual rate as compared to the same period last year relate to 2007 tax benefits received from the charitable donation of certain available-for-sale securities.

Comparison of the six months ended June 30, 2008 with the six months ended June 30, 2007:

Grain & Ethanol Group

(in thousands)	Six months ended June 30, 2008	2007
Sales and merchandising revenues	**$ 1,194,910**	$ 567,523
Cost of sales	**1,154,336**	536,849
Gross profit	**40,574**	30,674
Operating, administrative and general	**23,337**	21,706
Allowance for doubtful accounts	**1,944**	296
Interest expense	**12,988**	4,212
Equity in earnings of affiliates	**16,417**	7,652
Other income, net	**3,758**	9,523
Minority interest in net (income) loss of subsidiaries	**(253)**	516

Income before income taxes	**$**	**22,227**	$	22,151

Operating results for the Grain & Ethanol Group increased $0.1 million over the results from the same period last year. Sales of grain increased $499.0 million, or 108%, and is the result of a 57% increase in the average price per bushel of grain sold and a 33% increase in volume. Approximately half of the volume increase is the result of corn sales to one of the ethanol LLCs that the Company has an investment in and which became operational in the first quarter of 2008. The increase in the average price per bushel sold is the result of increased demand for corn which has caused the price of all grains to rise significantly.

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Sales of ethanol increased $137.7 million, or 161%, and is the result of a 145% increase in volume coupled with a 7% increase in the average price per gallon sold. The increase in volume is the result of both additional sales from ethanol produced by the ethanol LLC mentioned previously in which the Company purchases a portion of the ethanol produced and sells it to third parties, as well as increases from another ethanol LLC that became operational during the middle of the second quarter of 2007. Gross profit on both corn and ethanol sales related to the Company s ethanol LLCs are limited to the service fees earned from origination and marketing agreements.

Merchandising revenues for the Group decreased $13.6 million, or 80%, from the first six months of 2007 and is the result of a decrease in basis income. Basis is the difference between the local market price of a commodity and the Chicago Board of Trade futures price. During the first quarter of 2008, the futures prices rose at a substantially higher rate than the local spot prices. This caused the Group to incur losses on its forward purchase and sale contracts as well as its inventory. During the second quarter, the basis levels for soybeans appreciated, recovering some of the first quarter losses, however, for corn and wheat they did not. The Company expects the futures prices and the spot prices for both corn and wheat to move to a more normal historical relationship as harvest nears, and the Group expects to recover some of the basis loss it has experienced. Revenues from services provided to the Company s ethanol LLCs was $9.1 million, a $4.3 million increase from the first six months of 2007, and is the result of having three operational plants versus just two during the same period last year.

Gross profit for the Group increased $9.9 million, or 32%, over the first six months of 2007 due to a combination of increased ethanol service fees mentioned previously as well as increased position income which is income from futures and options positions taken which have not been directly related to a purchase or sale commitment. These increases have been partially offset by fair value adjustments to the Company s open commodity contracts of $5.8 million due to non-performance risk.

Operating expenses for the Group increased $1.6 million, or 8%, over the first six months of 2007, and is spread across several expense items, primarily employee related costs as a result of growth. The allowance for doubtful accounts increased $1.6 million compared to the first six months of 2007 and relates primarily to reserves taken against customer receivables for contracts that were not delivered upon.

Equity in earnings from affiliates increased $8.8 million, or 115%, over the first six months of 2007. The Company s equity income earned from both LTG and TACE saw significant increases of $9.1 million and $7.1 million, respectively. The Company s investments in TAAE and TAME experienced decreases of $3.5 million and $4.4 million, respectively. As a result of the risk management activities of TAEI, a majority owned subsidiary that holds the 50% ownership in TAME, the Company was able to economically offset its share of losses from TAME by $5.6 million.

Other income for the Group decreased $5.8 million over the first six months of 2007 and can be attributed to two non-recurring items in 2007 related to a business interruption settlement and ethanol development fees earned.

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Rail Group

(in thousands)	Six months ended June 30, 2008	2007
Sales and merchandising revenues	**$ 77,952**	$ 68,361
Cost of sales	**57,701**	49,831
Gross profit	**20,251**	18,530
Operating, administrative and general	**7,007**	6,127
Allowance for doubtful accounts	**400**	(59)
Interest expense	**2,062**	3,074
Other income, net	**518**	522
Income before income taxes	**$ 11,300**	$ 9,910

Operating results for the Rail Group increased 1.4 million, or 14%, over the first six months of 2007. Leasing revenues increased $4.0 million, car sales increased $2.3 million and sales in the Group s repair and fabrication shops increased $3.3 million. The increase in leasing revenues is attributable to the increase in the number of cars in the Group s rail fleet and has been partially offset by decreasing lease rates for renewals. Car sales are up due to a large non-recourse financing deal that occurred in the first quarter of 2008. The increase in sales in the Group s repair and fabrication shops is due partially to the addition of two repair shops in 2007 as well as improved sales in the fabrication shop.

Gross profit for the Group increased $1.7 million, or 9% over the same period last year. Gross profit in the leasing business increased $2.5 million and can be attributed to the increased cars in the Group s rail fleet. Gross profit on car sales decreased $1.7 million and is a result of the mix of car sales in 2008 which included several non-recourse financings which typically have lower gross margin percentages. Gross profit in the repair and fabrication shops increased $1.0 million

Operating expenses for the Group increased $0.9 million, or 14%, over the same period last year and are spread amongst several expense categories.

Interest expense for the Group decreased $1.0 million as the Group continues to pay down its non-recourse long-term debt.

Plant Nutrient Group

(in thousands)	Six months ended June 30, 2008	2007
Sales and merchandising revenues	**$ 378,970**	$ 249,468
Cost of sales	**306,896**	220,652
Gross profit	**72,074**	28,816
Operating, administrative and general	**15,269**	10,533
Allowance for doubtful accounts	**130**	313
Interest expense	**2,093**	878
Equity in earnings of affiliates	**3**	3
Other income, net	**324**	453
Income before income taxes	**$ 54,909**	$ 17,548

Operating results for the Plant Nutrient Group increased $37.4 million, or 213%, over the first six months of 2007. Sales and merchandising revenues for the Group increased $129.2 million, or 52%, and is a combination of the addition of Douglass Fertilizer during the second quarter and a 69% increase in the average price per ton sold, partially offset by a slight decrease in volume. The significant price appreciation in the commodities markets for the fertilizers that the Group sells have caused the significant increase in the average selling price. Gross profit for the Group increased $43.3 million, or 150%, over the first six months of 2007, and is primarily related to the increased selling prices. While the cost per ton has increased as well, the Group has been able to position itself well through inventory purchasing strategies and has recognized an 8% increase in margin as a percent of sales.

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Operating expenses for the Group increased $4.7 million, or 45%, over the first six months of 2007. Approximately half of this increase relates to the additional operating expenses of Douglass Fertilizer. The remaining increase is spread across several expense categories.

Interest expense for the Group increased $1.2 million, or 138%, due to the increased use of working capital.

Turf & Specialty Group

(in thousands)	Six months ended June 30, 2008	2007
Sales and merchandising revenues	**$ 75,576**	$ 66,698
Cost of sales	**61,384**	55,460
Gross profit	**14,192**	11,238
Operating, administrative and general	**9,605**	7,918
Allowance for doubtful accounts	**72**	72
Interest expense	**822**	937
Other income, net	**189**	195
Income before income taxes	**$ 3,882**	$ 2,506

Operating results for the Turf & Specialty Group increased $1.4 million, or 55%, over results from the same period last year. Sales in the lawn fertilizer business increased $8.6 million, or 14%, due to a combination of increased volume and an increase in the average price per ton sold. The new product lines introduced in 2007 have been favorably received and are contributing to the increase in volume. Sales in the cob business increased 4% and is due to an increase in the average price per ton sold partially offset by a slight decrease in volume. Gross profit for the Group increased $3.0 million, or 26%, over the same period last year and is attributable to a 23% increase in margin per ton due to product mix changes.

Operating expenses for the Group increased $1.7 million, or 21%, over the same period last year. This increase is spread across several expense categories and relate primarily to the new product lines added last year.

Retail Group

(in thousands)	Six months ended June 30, 2008	2007
Sales and merchandising revenues	**$ 86,293**	$ 88,667
Cost of sales	**60,806**	61,704
Gross profit	**25,487**	26,963
Operating, administrative and general	**25,382**	25,464
Allowance for doubtful accounts	**24**	21
Interest expense	**406**	467
Other income, net	**308**	318
Income (loss) before income taxes	**$ (17)**	$ 1,329

Operating results for the Retail Group decreased $1.3 million over results from the same period last year. Sales and merchandising revenues decreased $2.4 million, or 3%, over the first six months of 2007 in spite of the addition of

The Andersons Market in April 2007. Customer counts were down 2% while the average sale per customer remained relatively flat. Decreased sales were experienced in each of the Group s market areas. Gross profit decreased $1.5 million, or 5%. Weak economic conditions and local competition have played a significant role in the decreased results for the quarter.

Operating expenses for the Group remained flat in spite of the addition of The Andersons Market due to the Group s continued efforts to reduce costs.

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Other

(in thousands)	Six months ended June 30, 2008	Six months ended June 30, 2007
Sales and merchandising revenues	**$ --**	$ --
Cost of sales	**--**	--
Gross profit	**--**	--
Operating, administrative and general	**8,210**	6,200
Interest expense (income)	**(728)**	(356)
Other income (loss), net	**(58)**	5,930
Income (loss) before income taxes	**$ (7,424)**	$ 86

Net corporate operating expenses not allocated to business segments increased $2.0 million over the same period last year. The primary driver of this increase is due to employee related services and benefits that have not been distributed to the operating areas.

Other income decreased $6.0 million and is primarily due to the realized gain in the first six months of 2007 on the donation of the Company s available-for-sale securities.

As a result of the above, pretax income of $84.9 million for the six months ended June 30, 2008 was $31.4 million higher than pretax income of $53.5 million recognized for the six months ended June 30, 2007. Income tax expense of $31.4 million was provided at 37.0%. The Company anticipates that its 2008 effective annual rate will be 36.7%. In the first six months of 2007, income tax expense of $18.8 million was provided at a rate of 35.1%. The Company s actual 2007 effective tax rate was 35%. The primary driver behind the change in the effective tax rate for the first six months of 2008 and the anticipated annual rate as compared to the same periods last year relate to tax benefits received from the charitable donation of certain available-for-sale securities.

Liquidity and Capital Resources

Operating Activities and Liquidity

The Company s operations used cash of $255.0 million in the first six months of 2008, a change from cash provided of $39.0 million in the first six months of 2007. Net working capital at June 30, 2008 was $307.2 million, a $129.5 million increase from December 31, 2007 and a $150.7 million increase from June 30, 2007. Short-term borrowings used to fund operations increased $355.5 million compared to the same period in 2007. The substantial working capital increase is due to the borrowing of additional long-term debt to fund working capital as well as the significant increase in commodity and fertilizer values.

The Company made income tax payments of $14.2 million in the first six months of 2008 and expects to make payments totaling approximately $39.6 million for the remainder of 2008.

Investing Activities

In the first six months of 2008, the Company spent approximately $7.8 million on property, plant and equipment within its base businesses. Total capital spending for 2008 within the Company s base business is expected to be approximately $26.2 million and includes $4.7 million and $1.8 million for expansion and improvements in the Plant Nutrient Group and Rail Group, respectively. The remaining amount of $19.7 million will be spent on numerous assets and projects, none of which the Company expects to be in excess of $1.0 million.

In addition, the Company invested $55.1 million in the purchase of additional railcars and related leases, partially offset by financings of $41.3 million, and expects continued investments throughout the remainder of the year.

The Company increased its investment in Lansing Trade Group LLC in the first quarter of 2008 by $20.5 million. In July, the Company invested an additional $11.1 million and now holds a 49.9% interest.

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On May 1, 2008, the Company acquired 100% of the shares of Douglass Fertilizer & Chemical, Inc. The final purchase price, net of cash received upon acquisition was $7.8 million, of which, $7.0 million was paid in the second quarter of 2008 and the remaining $1.1 million will be paid in the third quarter of 2008. This acquisition diversifies the Company s product line offering and expands its geographic market outside of the traditional Midwest row crops and into Florida s specialty crops. In addition, on August 5, 2008, the Company acquired three pelleted lime production facilities in Ohio, Illinois, and Nebraska to expand its pelleted lime capabilities. Both of these acquisitions are within the Plant Nutrient Group.

Financing Arrangements

The Company has significant 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 2008, to provide the Company with $655 million in short-term lines of credit. The agreement also includes a temporary flex line, maturing October 2008, allowing the Company an additional $247 million. The Company had drawn $432.5 million on its short-term line of credit at June 30, 2008. Peak short-term borrowings for the Company to date are $666.9 million on March 12, 2008. 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. In addition, the Company entered into a $195 million long-term note purchase agreement during the first quarter of 2008. Escalating commodity and fertilizer prices have created the significant increase in cash needs for the Company.

A cash dividend of $0.0475 per common share was paid in the first three quarters of 2007. A cash dividend of $0.0775 was paid in the fourth quarter of 2007 and the first and second quarters of 2008. On May 9, 2008, the Company declared a cash dividend of $0.085 per common share payable on July 22, 2008 to shareholders of record on July 1, 2008. During the first six months of 2008, the Company issued approximately 121 thousand shares to employees and directors under its equity-based compensation plans.

Certain of the Company s long-term borrowings include covenants that, among other things, impose minimum levels of working capital and equity, and impose limitations on additional debt. The Company was in compliance with all such covenants at June 30, 2008. In addition, certain of the long-term borrowings are collateralized by first mortgages on various facilities or are collateralized by railcar assets. The Company s non-recourse long-term debt is collateralized by railcar and locomotive assets.

Because the Company is a significant consumer of short-term debt in peak seasons and the majority of this is variable rate debt, increases in interest rates could have a significant impact on the profitability of the Company. In addition, periods of high grain prices and/or unfavorable market conditions could require the Company to make additional margin deposits on its exchange traded futures contracts. Conversely, in periods of declining prices, the Company receives a return of cash. The marketability of Company s grain inventories and the availability of short-term lines of credit enhance the Company s liquidity. In the opinion of management, the Company s liquidity is adequate to meet short-term and long-term needs.

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Contractual Obligations

Future payments due under debt and lease obligations and other commitments as of June 30, 2008 are as follows:

Contractual Obligations (in thousands)	Payments Due by Period				
	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Long-term debt	$ 11,347	$117,107	$ 28,223	$136,129	$ 292,806
Long-term debt, securitized non-recourse	13,175	24,591	22,273	1,070	61,109
Interest obligations	19,560	34,433	20,582	27,979	102,554
Uncertain tax positions	547	1,905	(47)	--	2,405
Capital lease obligations	134	37	--	--	171
Operating leases	28,174	49,118	28,432	26,462	132,186
Purchase commitments (a)	1,426,228	239,669	7,530	--	1,673,427
Other long-term liabilities (b)	5,122	2,945	3,132	6,821	18,020
Total contractual cash obligations	$1,504,287	$469,805	$110,125	$198,461	$2,282,678

(a) Includes the value of purchase obligations in the Company s operating units, including $1,160.7 million for the purchase of grain from producers and $377.5 million for the purchase of ethanol from our ethanol joint ventures. There are also forward grain and ethanol sales contracts to consumers and traders. The net of the forward grain purchase and sale contracts are substantially offset by exchange-traded futures and options contracts.

(b) Other long-term liabilities include estimated obligations under our retiree healthcare programs and the estimated 2008 contribution to our defined benefit pension plan. Obligations under the retiree healthcare programs are fixed commitments and will vary depending on various factors, including the level of participant utilization and inflation. The Company has considered recent payment trends and actuarial assumptions in its estimates of postretirement payments through June 2013. We have not estimated pension contributions beyond 2008 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 $15.1 million at June 30, 2008, of which $8.1 million represents a credit enhancement for industrial revenue bonds included in the contractual obligations table above within long-term debt.

Approximately 84% of the operating lease commitments above relate to 9,128 railcars and 17 locomotives that the Company leases from financial intermediaries. See Off-Balance Sheet Transactions.

The Company is subject to various loan covenants highlighted previously. The Company is and has been in compliance with such covenants. Noncompliance could result in default under the documents governing such indebtedness and acceleration of long-term debt payments. The Company anticipates it will continue to be in compliance with all of its covenants.

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 that are not on its balance sheet, the Company holds an option to purchase at the end of the lease.

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The following table describes the Company s railcar and locomotive positions at June 30, 2008:

Method of Control	Financial Statement	Number
Owned-railcars available for sale	On balance sheet current	142
Owned-railcar assets leased to others	On balance sheet noncurrent	11,951
Railcars leased from financial intermediaries	Off balance sheet	9,128
Railcars non-recourse arrangements	Off balance sheet	2,499
Total Railcars		23,720
Locomotive assets leased to others	On balance sheet noncurrent	25
Locomotives leased from financial intermediaries under limited recourse arrangements	Off balance sheet	17
Locomotives non-recourse arrangements	Off balance sheet	78
Total Locomotives		120

In addition, the Company manages 585 railcars for third-party customers or owners for which it receives a fee.

Item 3. 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 demand for ethanol, population growth and higher standards of living, and global production of similar competitive crops. To reduce price risk caused by market fluctuations, the Company follows a policy of entering into economic hedges of its inventories and related purchase and sale contracts. The instruments used are exchange-traded futures and options contracts that function as hedges. The market value of exchange-traded futures and options used for economic hedging has historically had 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 managed by the Company using a daily grain position report to constantly monitor the Company s 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 risk that cannot be directly hedged. The Company s accounting policy for its futures and options contracts, 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:

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(in thousands)	June 30, 2008	December 31, 2007
Net long (short) position	**$1,699**	$ 5
Market risk	**170**	1

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 for similar types of borrowing arrangements. In addition, the Company has derivative interest rate contracts recorded on its balance sheet at their fair values. 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:

(in thousands)	June 30, 2008	December 31, 2007
Fair value of long-term debt and interest rate contracts	**$354,597**	$ 211,661
Fair value in excess of (less than) carrying value	**(280)**	(2,795)
Market risk	**1,171**	3,339

Item 4. 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 Certifying Officers have evaluated our disclosure controls and procedures as defined in the rules of the Securities and Exchange Commission, as of June 30, 2008, and have determined that such controls and procedures were effective.

Our Certifying Officers are primarily responsible for the accuracy of the financial information that is presented in this report. To meet their responsibility for financial reporting, they have established internal controls and procedures which they believe are adequate to provide reasonable assurance that the Company s assets are protected from loss. These procedures are reviewed by the Company s internal auditors in order to monitor compliance. In addition, our Board of Director s Audit Committee, which is composed entirely of independent directors, meets regularly with each of management and our internal auditors to review accounting, auditing and financial matters.

There were no changes in internal controls over financial reporting or in other factors that have materially affected or could materially affect internal controls over financial reporting, in each case, during the second quarter of 2008.

Part II. Other Information

Item 1A. Risk Factors

Our operations are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this Form 10-Q and could have a material adverse impact on our financial results. These risks can be impacted by factors beyond our control as well as by errors and omissions on our part. The significant factors known to us that could materially adversely affect our business, financial condition or operating results are described in the 2007 10-K (Item 1A). There have been no material changes in the risk factors set forth therein.

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of the shareholders of The Andersons, Inc. was held on May 9, 2008 to elect eleven directors, to ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm, to approve a change to the article of incorporation to increase the number of authorized shares and to approve and amendment to the 2005 Long-Term Performance Compensation Plan. Results of the voting follow:

	For	Against	Withheld	Not Voted
Director				
Michael J. Anderson	15,971,099	--	235,637	3,580,399
Richard P. Anderson	15,791,079	--	415,657	3,580,399
Catherine M. Kilbane	16,113,234	--	93,502	3,580,399
Robert J. King, Jr.	16,070,384	--	136,352	3,580,399
Paul M. Kraus	15,902,957	--	303,779	3,580,399
Ross W. Manire	16,096,936		109,800	3,580,399
Donald L. Mennel	16,165,155	--	41,581	3,580,399
David L. Nichols	15,814,038	--	392,698	3,580,399
Dr. Sidney A. Ribeau	15,898,137	--	308,599	3,580,399
Charles A. Sullivan	15,944,790	--	261,946	3,580,399
Jacqueline F. Woods	16,071,311	--	135,425	3,580,399
Ratification of independent registered public accounting firm	15,912,434	283,863	10,439	
Approval of change to the articles of incorporation	10,156,167	5,995,418	55,151	
Approval to the amendment to the 2005 Long-Term Performance Compensation Plan	10,825,527	1,625,286	175,524	3,580,399

Item 5. Other Information

Item 6. Exhibits

(a) Exhibits

No.	Description
31.1	Certification of the President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)
31.2	Certification of the Vice President, Controller and CIO under Rule 13(a)-14(a)/15d-14(a)
31.3	Certification of the Vice President, Finance and Treasurer under Rule 13(a)-14(a)/15d-14(a)
32.1	Certifications Pursuant to 18 U.S.C. Section 1350

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Signatures

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

	THE ANDERSONS, INC. (Registrant)
Date: August 8, 2008	By /s/ Michael J. Anderson
	Michael J. Anderson President and Chief Executive Officer
Date: August 8, 2008	By /s/ Richard R. George
	Richard R. George Vice President, Controller and CIO (Principal Accounting Officer)
Date: August 8, 2008	By /s/ Gary L. Smith
	Gary L. Smith Vice President, Finance and Treasurer (Principal Financial Officer)

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Exhibit Index
The Andersons, Inc.

No.	Description
31.1	Certification of the President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)
31.2	Certification of the Vice President, Controller and CIO under Rule 13(a)-14(a)/15d-14(a)
31.3	Certification of the Vice President, Finance and Treasurer under Rule 13(a)-14(a)/15d-14(a)
32.1	Certifications Pursuant to 18 U.S.C. Section 1350