

ANDERSONS INC
Form 10-Q
November 12, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

.. 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 ý No ..

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ý No ..

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

Large accelerated filer	ý Accelerated Filer	..
Non-accelerated filer	.. Smaller reporting company	..

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

The registrant had approximately 18.7 million common shares outstanding, no par value, at October 31, 2013.

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Part I. Financial Information

Item 1. Financial Statements

The Andersons, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)(In thousands)

	September 30, 2013	December 31, 2012	September 30, 2012
Assets			
Current assets:			
Cash and cash equivalents	\$134,441	\$138,218	\$80,370
Restricted cash	164	398	160
Accounts receivable, net	178,970	208,877	199,158
Inventories (Note 2)	429,017	776,677	682,292
Commodity derivative assets – current	105,390	103,105	166,264
Deferred income taxes	5,254	15,862	20,627
Other current assets	42,278	54,016	41,568
Total current assets	895,514	1,297,153	1,190,439
Other assets:			
Commodity derivative assets – noncurrent	5	1,906	7,047
Goodwill	58,554	51,418	19,226
Other assets, net	52,177	53,711	48,575
Equity method investments	262,643	190,908	190,057
	373,379	297,943	264,905
Railcar assets leased to others, net (Note 3)	233,024	228,330	252,702
Property, plant and equipment, net (Note 3)	380,374	358,878	283,394
Total assets	\$1,882,291	\$2,182,304	\$1,991,440

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The Andersons, Inc.

Condensed Consolidated Balance Sheets (continued)

(Unaudited)(In thousands)

	September 30, 2013	December 31, 2012	September 30, 2012
Liabilities and equity			
Current liabilities:			
Borrowings under short-term line of credit	\$—	\$24,219	\$275,522
Accounts payable for grain	241,575	582,653	250,066
Other accounts payable	200,664	165,201	204,347
Customer prepayments and deferred revenue	23,974	105,410	77,278
Commodity derivative liabilities – current	88,234	33,277	43,589
Accrued expenses and other current liabilities	63,900	66,902	53,631
Current maturities of long-term debt (Note 10)	44,232	15,145	32,655
Total current liabilities	662,579	992,807	937,088
Other long-term liabilities	17,129	18,406	14,083
Commodity derivative liabilities – noncurrent	9,636	1,134	590
Employee benefit plan obligations	49,768	53,131	49,478
Long-term debt, less current maturities (Note 10)	381,018	427,243	312,404
Deferred income taxes	91,869	78,138	75,377
Total liabilities	1,211,999	1,570,859	1,389,020
Commitments and contingencies (Note 11)			
Shareholders' equity:			
Common shares, without par value (42,000 shares authorized; 19,198 shares issued)	96	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)	—	—	—
Additional paid-in-capital	183,273	181,627	180,998
Treasury shares at cost (456, 554 and 557 shares at 9/30/13, 12/31/12 and 9/30/12, respectively)	(11,327)	(12,559)	(12,541)
Accumulated other comprehensive loss	(41,586)	(45,379)	(42,607)
Retained earnings	520,848	470,628	458,627
Total shareholders' equity of The Andersons, Inc.	651,304	594,413	584,573
Noncontrolling interests	18,988	17,032	17,847
Total equity	670,292	611,445	602,420
Total liabilities and equity	\$1,882,291	\$2,182,304	\$1,991,440
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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Sales and merchandising revenues	\$ 1,181,374	\$ 1,138,402	\$ 4,020,308	\$ 3,591,369
Cost of sales and merchandising revenues	1,108,228	1,060,086	3,764,660	3,324,533
Gross profit	73,146	78,316	255,648	266,836
Operating, administrative and general expenses	69,193	58,029	192,665	177,339
Interest expense	5,348	5,482	16,607	16,192
Other income:				
Equity in earnings of affiliates	22,177	6,027	39,991	15,406
Other income, net	7,605	3,492	11,623	9,409
Income before income taxes	28,387	24,324	97,990	98,120
Income tax provision	10,348	9,133	36,907	36,730
Net income	18,039	15,191	61,083	61,390
Net income (loss) attributable to the noncontrolling interests	878	(1,693)	) 1,805	(3,100)
Net income attributable to The Andersons, Inc.	\$ 17,161	\$ 16,884	\$ 59,278	\$ 64,490
Per common share:				
Basic earnings attributable to The Andersons, Inc. common shareholders	\$ 0.92	\$ 0.91	\$ 3.17	\$ 3.47
Diluted earnings attributable to The Andersons, Inc. common shareholders	\$ 0.91	\$ 0.90	\$ 3.15	\$ 3.43
Dividends paid	\$ 0.16	\$ 0.15	\$ 0.48	\$ 0.45
See Notes to Condensed Consolidated Financial Statements				

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The Andersons, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)(In thousands)

	Three months ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 18,039	\$ 15,191	\$ 61,083	\$ 61,390
Other comprehensive income (loss), net of tax:				
Increase (decrease) in estimated fair value of investment in debt securities (net of income tax of \$0, \$0, (\$187) and \$1,126)	—	—	303	(1,884)
Change in unrecognized actuarial loss and prior service cost (net of income tax of \$232, \$209, \$1,157 and \$1,343 - Note 1)	383	350	3,296	2,248
Cash flow hedge activity (net of income tax of \$33, \$25, \$195 and \$71)	56	41	194	119
Other comprehensive income (loss)	439	391	3,793	483
Comprehensive income	18,478	15,582	64,876	61,873
Comprehensive income (loss) attributable to the noncontrolling interests	878	(1,693)	1,805	(3,100)
Comprehensive income attributable to The Andersons, Inc. See Notes to Condensed Consolidated Financial Statements	\$ 17,600	\$ 17,275	\$ 63,071	\$ 64,973

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The Andersons, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)(In thousands)

	Nine months ended September 30,	
	2013	2012
Operating Activities		
Net income	\$61,083	\$61,390
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation and amortization	41,635	35,330
Bad debt expense	700	1,118
Cash distributions (less than) in excess of income of unconsolidated affiliates	(22,486	) 8,984
Gains and amortization of deferred gains on sales of railcars and related leases	(17,376	) (22,260
Excess tax benefit from share-based payment arrangement	(602	) (39
Deferred income taxes	24,185	6,893
Stock based compensation expense	2,337	3,303
Other	3	(106
Changes in operating assets and liabilities:		
Accounts receivable	29,468	(31,522
Inventories	348,172	91,035
Commodity derivatives	63,074	(60,286
Other assets	(263	) (4,211
Accounts payable for grain	(341,078	) (141,839
Other accounts payable and accrued expenses	(59,891	) 13,483
Net cash provided by (used in) operating activities	128,961	(38,727
Investing Activities		
Purchase of investments	(49,249	) (19,996
Proceeds from redemption of investment	—	19,998
Acquisition of businesses, net of cash acquired	(11,148	) (92,686
Purchases of railcars	(71,554	) (102,853
Proceeds from sale of railcars	87,620	57,315
Purchases of property, plant and equipment	(31,355	) (51,682
Proceeds from sale of property, plant and equipment	351	817
Proceeds from minority investor	—	6,100
Change in restricted cash	233	18,491
Net cash used in investing activities	(75,102	) (164,496
Financing Activities		
Net change in short-term borrowings	(24,219	) 204,022
Proceeds from issuance of long-term debt	53,794	125,076
Payments of long-term debt	(80,473	) (58,820
Proceeds from sale of treasury shares to employees and directors	1,687	1,366
Payments of debt issuance costs	(46	) (110
Dividends paid	(8,981	) (8,370
Excess tax benefit from share-based payment arrangement	602	39
Net cash provided by (used in) financing activities	(57,636	) 263,203
Increase (decrease) in cash and cash equivalents	(3,777	) 59,980
Cash and cash equivalents at beginning of period	138,218	20,390

Cash and cash equivalents at end of period	\$ 134,441	\$ 80,370
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	Nine months ended September 30,	
	2013	2012
Supplemental disclosure of cash flow information		
Capital project costs incurred but not yet paid	\$5,477	\$2,635
Purchase of capitalized software through seller-financing	\$10,477	\$6,102

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.

Condensed Consolidated Statements of Equity

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

	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2011	\$96	\$179,463	\$(14,997)	\$ (43,090)	\$402,523	\$ 14,847	\$538,842
Net income (loss)					64,490	(3,100)	61,390
Other comprehensive income				483			483
Proceeds received from minority investor						6,100	6,100
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$678 (139 shares)		1,535	2,456				3,991
Dividends declared (\$0.45 per common share)					(8,386)		(8,386)
Balance at September 30, 2012	\$96	\$180,998	\$(12,541)	\$ (42,607)	\$458,627	\$ 17,847	\$602,420
Balance at December 31, 2012	\$96	\$181,627	\$(12,559)	\$ (45,379)	\$470,628	\$ 17,032	\$611,445
Net income					59,278	1,805	61,083
Other comprehensive income				3,793			3,793
Noncontrolling interest						151	151
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$1,201 (98 shares)		1,591	1,232				2,823

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Dividends declared (\$0.48 per common share)					(9,003)		(9,003)
Performance share unit dividend equivalents	55				(55)		—
Balance at September 30, 2013	\$96	\$183,273	\$(11,327)	\$ (41,586)	\$520,848	\$ 18,988	\$670,292

See Notes to Condensed Consolidated Financial Statements

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The Andersons, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Basis of Presentation and Consolidation

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

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

In the opinion of management, all adjustments, consisting of normal recurring items, considered necessary for a fair statement of the results of operations for the periods indicated, have been made. Operating results for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2013.

The year-end Condensed Consolidated Balance Sheet data at December 31, 2012 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 September 30, 2012 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, 2012 (the "2012 Form 10-K").

Reclassifications Out of Other Comprehensive Income

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, information about reclassification adjustments from accumulated other comprehensive income to net income in the current periods are presented below.

Changes in Accumulated Other Comprehensive Loss by Component (a)

	For the three months ended September 30, 2013				For the nine months ended September 30, 2013			
	Losses on Cash Flow Hedges	Investment in Debt Securities	Defined Benefit Plan Items	Total	Losses on Cash Flow Hedges	Investment in Debt Securities	Defined Benefit Plan Items	Total
Beginning Balance	\$(764)	\$2,872	\$(44,133)	\$(42,025)	\$(902)	\$2,569	\$(47,046)	\$(45,379)
Other comprehensive income before reclassifications	56	—	468	524	194	303	3,551	4,048
Amounts reclassified from accumulated other comprehensive income	—	—	(85)	(85)	—	—	(255)	(255)
Net current-period other comprehensive income	56	—	383	439	194	303	3,296	3,793
Ending balance	\$(708)	\$2,872	\$(43,750)	\$(41,586)	\$(708)	\$2,872	\$(43,750)	\$(41,586)

(a) All amounts are net of tax. Amounts in parentheses indicates debits

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Reclassifications Out of Accumulated Other Comprehensive Income (a)

	For the three months ended September 30, 2013		For the nine months ended September 30, 2013	
Details about Accumulated Other Comprehensive Income Components Defined Benefit Plan Items	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income Is Presented	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income Is Presented
Amortization of prior-service cost	\$(136)	) (b)	\$(408)	) (b)
	(136)	) Total before tax	(408)	) Total before tax
	51	Tax expense	153	Tax expense
	\$(85)	) Net of tax	\$(255)	) Net of tax
Total reclassifications for the period	\$(85)	) Net of tax	\$(255)	) Net of tax

(a) Amounts in parentheses indicate debits to profit/loss

(b) This accumulated other comprehensive income component is included in the computation of net periodic pension cost (see Note 6. Employee Benefit Plans footnote for additional details).

2. Inventories

Major classes of inventories are as follows:

(in thousands)	September 30, 2013	December 31, 2012	September 30, 2012
Grain	\$264,104	\$586,983	\$504,484
Ethanol and by-products	11,178	22,927	17,277
Agricultural fertilizer and supplies	94,035	100,175	101,896
Lawn and garden fertilizer and corncob products	29,364	37,292	24,709
Retail merchandise	25,716	25,368	30,767
Railcar repair parts	4,421	3,764	2,852
Other	199	168	307
	\$429,017	\$776,677	\$682,292

3. Property, Plant and Equipment

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

(in thousands)	September 30, 2013	December 31, 2012	September 30, 2012
Land	\$23,348	\$22,258	\$19,699
Land improvements and leasehold improvements	67,262	63,013	59,375
Buildings and storage facilities	224,913	214,919	178,354
Machinery and equipment	299,874	287,896	257,926
Software	13,558	12,901	12,632
Construction in progress	54,713	34,965	28,582
	683,668	635,952	556,568
Less accumulated depreciation and amortization	303,294	277,074	273,174

\$380,374 \$358,878 \$283,394

Depreciation expense on property, plant and equipment amounted to \$27.9 million, \$27.4 million and \$19.3 million for the year-to-date periods ended September 30, 2013, December 31, 2012, and September 30, 2012, respectively.

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Railcars

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

(in thousands)	September 30, 2013	December 31, 2012	September 30, 2012
Railcar assets leased to others	\$309,360	\$310,614	\$335,037
Less accumulated depreciation	76,336	82,284	82,335
	\$233,024	\$228,330	\$252,702

Depreciation expense on railcar assets leased to others amounted to \$11.1 million, \$15.9 million and \$11.9 million for the year-to-date periods ended September 30, 2013, December 31, 2012 and September 30, 2012, respectively.

4. Derivatives

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

All of these contracts are considered derivatives. While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges as defined under current accounting standards. The Company accounts for its commodity derivatives at estimated fair value, the same method it uses to value its grain inventory. The estimated fair value of the commodity derivative contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received, also known as margin deposits) within commodity derivative assets or liabilities. Management determines fair value based on exchange-quoted prices and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets and non-performance risk. For contracts for which physical delivery occurs, balance sheet classification is based on estimated delivery date. For futures, options and over-the-counter contracts in which physical delivery is not expected to occur but, rather, the contract is expected to be net settled, the Company classifies these contracts as current or noncurrent assets or liabilities, as appropriate, based on the Company's expectations as to when such contracts will be settled.

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

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

the Condensed Consolidated Balance Sheets.

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The following table presents at September 30, 2013, December 31, 2012 and September 30, 2012, a summary of the estimated fair value of the Company's commodity derivative instruments that require cash collateral and the associated cash posted/received as collateral. The net asset or liability positions of these derivatives (net of their cash collateral) are determined on a counterparty-by-counterparty basis and are included within short-term commodity derivative assets (or liabilities) on the Condensed Consolidated Balance Sheets:

	September 30, 2013		December 31, 2012		September 30, 2012	
(in thousands)	Net derivative asset position	Net derivative liability position	Net derivative asset position	Net derivative liability position	Net derivative asset position	Net derivative liability position
Collateral paid (received)	\$27,101	\$—	\$(13,772)	\$—	\$88,246	\$—
Fair value of derivatives	38,352	—	61,247	—	(73,424)	—
Balance at end of period	\$65,453	\$—	\$47,475	\$—	\$14,822	\$—

Certain of our contracts allow the Company to post items other than cash as collateral. Grain inventory posted as collateral on our derivative contracts are recorded in Inventories on the Condensed Consolidated Balance Sheets and the fair value of such inventory was \$0.0 million, \$7.7 million, and \$0.0 million as of September 30, 2013, December 31, 2012, and September 30, 2012, respectively.

The following table presents, on a gross basis, current and noncurrent commodity derivative assets and liabilities:

	September 30, 2013					
(in thousands)	Commodity derivative assets - current	Commodity derivative assets - noncurrent	Commodity derivative liabilities - current	Commodity derivative liabilities - noncurrent	Total	
Commodity derivative assets	\$89,540	\$5	\$2,933	\$41	\$92,519	
Commodity derivative liabilities	(11,251)	—	(91,167)	(9,677)	(112,095)	
Cash collateral	27,101	—	—	—	27,101	
Balance sheet line item totals	\$105,390	\$5	\$(88,234)	\$(9,636)	\$7,525	

	December 31, 2012					
(in thousands)	Commodity derivative assets - current	Commodity derivative assets - noncurrent	Commodity derivative liabilities - current	Commodity derivative liabilities - noncurrent	Total	
Commodity derivative assets	\$137,119	\$2,059	\$5,233	\$130	\$144,541	
Commodity derivative liabilities	(20,242)	(153)	(38,510)	(1,264)	(60,169)	
Cash collateral	(13,772)	—	—	—	(13,772)	
Balance sheet line item totals	\$103,105	\$1,906	\$(33,277)	\$(1,134)	\$70,600	

	September 30, 2012					
(in thousands)	Commodity derivative assets - current	Commodity derivative assets - noncurrent	Commodity derivative liabilities - current	Commodity derivative liabilities - noncurrent	Total	
Commodity derivative assets	\$194,771	\$7,383	\$3,558	\$38	\$205,750	
Commodity derivative liabilities	(116,753)	(336)	(47,147)	(628)	(164,864)	
Cash collateral	88,246	—	—	—	88,246	
Balance sheet line item totals	\$166,264	\$7,047	\$(43,589)	\$(590)	\$129,132	

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The gains included in the Company's Condensed Consolidated Statements of Income and the line items in which they are located for the three and nine months ended September 30, 2013 and 2012 are as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Gains (losses) on commodity derivatives included in sales and merchandising revenues	\$30,894	\$(51,318)	\$99,896	\$(67,875)

At September 30, 2013, the Company had the following volume of commodity derivative contracts outstanding (on a gross basis):

Commodity	Number of bushels (in thousands)	Number of gallons (in thousands)	Number of pounds (in thousands)	Number of tons (in thousands)
Non-exchange traded:				
Corn	214,500	—	—	—
Soybeans	46,325	—	—	—
Wheat	8,450	—	—	—
Oats	14,555	—	—	—
Ethanol	—	144,339	—	—
Corn oil	—	—	12,921	—
Other	255	—	—	88
Subtotal	284,085	144,339	12,921	88
Exchange traded:				
Corn	92,120	—	—	—
Soybeans	19,110	—	—	—
Wheat	30,725	—	—	—
Oats	3,890	—	—	—
Ethanol	—	15,540	—	—
Other	—	—	—	1
Subtotal	145,845	15,540	—	1
Total	429,930	159,879	12,921	89

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5. Earnings Per Share

Unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and are included in the computation of earnings per share pursuant to the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for common stock and any participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. The Company's nonvested restricted stock is considered a participating security since the share-based awards contain a non-forfeitable right to dividends irrespective of whether the awards ultimately vest.

(in thousands, except per common share data)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net income attributable to The Andersons, Inc.	\$17,161	\$16,884	\$59,278	\$64,490
Less: Distributed and undistributed earnings allocated to nonvested restricted stock	56	95	210	309
Earnings available to common shareholders	\$17,105	\$16,789	\$59,068	\$64,181
Earnings per share – basic:				
Weighted average shares outstanding – basic	18,673	18,534	18,648	18,516
Earnings per common share – basic	\$0.92	\$0.91	\$3.17	\$3.47
Earnings per share – diluted:				
Weighted average shares outstanding – basic	18,673	18,534	18,648	18,516
Effect of dilutive awards	150	114	125	171
Weighted average shares outstanding – diluted	18,823	18,648	18,773	18,687
Earnings per common share – diluted	\$0.91	\$0.90	\$3.15	\$3.43
There were no antidilutive stock-based awards outstanding at September 30, 2013 or 2012.				

6. Employee Benefit Plans

Included as charges against income for the three and nine months ended September 30, 2013 and 2012 are the following amounts for pension and postretirement benefit plans maintained by the Company:

(in thousands)	Pension Benefits		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Service cost	\$—	\$—	\$—	\$—
Interest cost	1,057	1,124	3,171	3,372
Expected return on plan assets	(1,751)	(1,536)	(5,254)	(4,609)
Recognized net actuarial loss	382	374	1,147	1,123
Benefit income	\$(312)	\$(38)	\$(936)	\$(114)

(in thousands)	Postretirement Benefits		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Service cost	\$210	\$188	\$631	\$564
Interest cost	342	329	1,025	989
Amortization of prior service cost	(136)	(135)	(408)	(407)
Recognized net actuarial loss	368	320	1,105	960
Benefit cost	\$784	\$702	\$2,353	\$2,106

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7. Segment Information

The Company's operations include six reportable business segments that are distinguished primarily on the basis of products and services offered. The Grain business includes grain merchandising, the operation of terminal grain elevator facilities and the investments in Lansing Trade Group, LLC ("LTG") and the Thompsons Limited joint ventures. The Ethanol business purchases and sells ethanol and also manages the ethanol production facilities organized as limited liability companies, one of which is consolidated and three of which are investments accounted for under the equity method, and various service contracts for these investments. Rail operations include the leasing, marketing and fleet management of railcars and locomotives, railcar repair and metal fabrication. The Plant Nutrient business manufactures and distributes agricultural inputs, primarily fertilizer, to dealers and farmers. Turf & Specialty operations include the production and distribution of turf care and corncob-based products. The Retail business operates large retail stores, a specialty food market, a distribution center and a lawn and garden equipment sales and service facility. Included in "Other" are the corporate level amounts not attributable to an operating segment. The segment information below includes the allocation of expenses shared by one or more operating segments. Although management believes such allocations are reasonable, the operating information does not necessarily reflect how such data might appear if the segments were operated as separate businesses. Inter-segment sales are made at prices comparable to normal, unaffiliated customer sales.

During the first quarter, approximately \$28 million of assets specific to the agronomy business that was included in the purchase of certain assets of Green Plains Grain Company, LLC in the fourth quarter of 2012 were reclassified from the Grain segment to the Plant Nutrient segment. Corresponding items of segment information have been reclassified to conform to current year presentation.

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
(in thousands)				
Revenues from external customers				
Grain	\$765,833	\$677,484	\$2,493,678	\$2,096,256
Ethanol	213,384	209,634	634,933	528,062
Plant Nutrient	95,681	135,144	537,922	619,301
Rail	47,523	59,703	132,488	127,608
Turf & Specialty	27,624	21,509	117,955	110,481
Retail	31,329	34,928	103,332	109,661
Total	\$1,181,374	\$1,138,402	\$4,020,308	\$3,591,369

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
(in thousands)				
Inter-segment sales				
Grain	\$—	\$—	\$333	\$1
Plant Nutrient	4,243	3,481	15,955	11,898
Rail	109	105	318	516
Turf & Specialty	516	521	1,869	1,994
Total	\$4,868	\$4,107	\$18,475	\$14,409

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	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2013	2012	2013	2012
Interest expense (income)				
Grain	\$1,391	\$3,465	\$7,714	\$9,404
Ethanol	289	284	895	493
Plant Nutrient	746	725	2,461	2,067
Rail	1,220	1,229	4,162	3,563
Turf & Specialty	203	238	951	906
Retail	152	217	519	570
Other	1,347	(676)	(95)	(811)
Total	\$5,348	\$5,482	\$16,607	\$16,192
	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2013	2012	2013	2012
Equity in earnings (loss) of affiliates				
Grain	\$12,003	\$9,249	\$24,940	\$22,706
Ethanol	10,174	(3,224)	15,051	(7,305)
Plant Nutrient	—	2	—	5
Total	\$22,177	\$6,027	\$39,991	\$15,406
	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2013	2012	2013	2012
Other income (expense), net				
Grain	\$1,216	\$526	\$1,438	\$1,842
Ethanol	35	1	465	37
Plant Nutrient	320	523	459	1,651
Rail	5,031	1,695	6,679	3,295
Turf & Specialty	135	181	585	671
Retail	102	117	316	396
Other	766	449	1,681	1,517
Total	\$7,605	\$3,492	\$11,623	\$9,409
	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2013	2012	2013	2012
Income (loss) before income taxes				
Grain	\$14,323	\$10,807	\$24,675	\$45,519
Ethanol	10,904	(936)	23,984	(2,920)
Plant Nutrient	(1,643)	759	21,035	34,540
Rail	12,360	19,071	36,614	34,288
Turf & Specialty	(83)	(1,571)	6,113	3,384
Retail	(2,043)	(1,769)	(3,673)	(3,090)
Other	(6,309)	(344)	(12,563)	(10,501)
Noncontrolling interests	878	(1,693)	1,805	(3,100)
Total	\$28,387	\$24,324	\$97,990	\$98,120

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(in thousands)	September 30, 2013	December 31, 2012	September 30, 2012
Identifiable assets			
Grain	\$784,869	\$1,076,986	\$942,629
Ethanol	207,530	206,975	214,858
Plant Nutrient	258,772	257,980	268,982
Rail	294,528	289,467	309,847
Turf & Specialty	71,600	82,683	55,638
Retail	51,465	51,772	56,795
Other	213,527	216,441	142,691
Total	\$1,882,291	\$2,182,304	\$1,991,440

8. Related Party Transactions

Equity Method Investments

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

On July 31, 2013, the Company, along with Lansing Trade Group, LLC established joint ventures that acquired 100% of the stock of Thompsons Limited, including its investment in the related U.S. operating company, for a purchase price of \$152 million, which includes an adjustment for excess working capital. The purchase price includes \$48 million cash paid by the Company, \$40 million cash paid by LTG, and \$64 million of external debt at Thompsons Limited. As part of the purchase LTG also contributed a Canadian branch of its business to Thompsons Limited. LTG is currently performing a valuation of its contributed business, which could potentially result in a gain for book purposes to be recorded in the fourth quarter by LTG. While the valuation is still being performed, the Company's portion of the gain could be approximately \$3 million. Each Company owns 50% of the investment. Thompsons Limited is a grain and food-grade bean handler and agronomy input provider, headquartered in Blenheim, Ontario, and operates 12 locations across Ontario and Minnesota.

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

(in thousands)	September 30, 2013	December 31, 2012	September 30, 2012
The Andersons Albion Ethanol LLC	\$35,643	\$30,227	\$30,625
The Andersons Clymers Ethanol LLC	37,695	33,119	34,962
The Andersons Marathon Ethanol LLC	37,844	32,996	36,153
Lansing Trade Group, LLC	100,071	92,094	86,007
Thompsons Limited (a)	47,477	—	—
Other	3,913	2,472	2,310
Total	\$262,643	\$190,908	\$190,057

(a) Thompsons Limited and related U.S. operating company held by joint ventures

The Company holds a majority interest (66%) in The Andersons Ethanol Investment LLC ("TAEI"). This consolidated entity holds a 50% interest in The Andersons Marathon Ethanol LLC ("TAME"). The noncontrolling interest in TAEI is attributed 34% of the gains and losses of TAME recorded by the Company.

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

	% ownership at September 30, 2013	Three months ended September 30,		Nine months ended September 30,	
(in thousands)		2013	2012	2013	2012
The Andersons Albion Ethanol LLC	50%	\$3,711	\$(622)	\$5,627	\$(204)
The Andersons Clymers Ethanol LLC	38%	3,437	(972)	4,576	(1,985)
The Andersons Marathon Ethanol LLC	50%	3,026	(1,629)	4,848	(5,116)
Lansing Trade Group, LLC	49% (a)	12,391	9,187	25,255	22,347
Thompsons Limited (b)	50%	(722)	—	(722)	—
Other	5%-23%	334	63	407	364
Total		\$22,177	\$6,027	\$39,991	\$15,406

(a) This does not consider restricted management units which once vested will reduce the ownership percentage by approximately 2%.

(b) Thompsons Limited and related U.S. operating company held by joint ventures

Total distributions received from unconsolidated affiliates were \$4.1 million and \$17.5 million for the three and nine months ended September 30, 2013, respectively.

The Company does not hold a majority of the outstanding shares of LTG. All major operating decisions of LTG are made by LTG's Board of Directors and the Company does not have a majority of the board seats. In addition, based on the terms of the operating agreement between LTG and its owners, the minority shareholders have substantive participating rights that allow them to effectively participate in the decisions made in the ordinary course of business that are significant to LTG. Due to these factors, the Company does not have control over LTG and therefore accounts for this investment under the equity method.

The Company does not hold a majority of the outstanding shares of Thompsons Limited joint ventures. All major operating decisions of these joint ventures are made by their Board of Directors and the Company does not have a majority of the board seats. Due to these factors, the Company does not have control over these joint ventures and therefore accounts for these investments under the equity method.

In the third quarter of 2013, LTG qualified as a significant subsidiary of the Company under the income test. The following table presents the required summarized unaudited financial information of this investment for the three and nine months ended September 30, 2013 and 2012:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2013	2012	2013	2012
Sales	\$2,206,433	\$1,680,170	\$6,828,076	\$4,874,347
Gross profit	64,095	50,412	143,608	126,330
Income before income taxes	27,321	20,108	54,122	49,014
Net income	25,496	18,545	52,490	47,486
Net income attributable to LTG	25,211	17,927	51,823	44,518

Investment in Debt Securities

The Company owns 100% of the cumulative convertible preferred shares of Iowa Northern Railway Corporation ("IANR"), which operates a short-line railroad in Iowa. As a result of this investment, the Company has a 49.9% voting interest in IANR, with the remaining 50.1% voting interest held by the common shareholders. The preferred shares have certain rights associated with them, including voting, dividends, liquidation, redemption and conversion.

Dividends accrue to the Company at a rate of 14% annually whether or not declared by IANR and are cumulative in nature. The Company can convert its preferred shares into common shares of IANR at any time, but the shares cannot be redeemed until May 2015. This investment is accounted for as "available-for-sale" debt securities in accordance with ASC 320 and is carried at estimated fair value in "Other noncurrent assets" on the Company's Condensed Consolidated

Balance Sheet. The estimated fair value of the Company's investment in IANR as of September 30, 2013 was \$17.7 million.

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Based on the Company's assessment, IANR is considered a variable interest entity ("VIE"). Since the Company does not possess the power to direct the activities of the VIE that most significantly impact the entity's economic performance, it is not considered to be the primary beneficiary of IANR and therefore does not consolidate IANR. The decisions that most significantly impact the economic performance of IANR are made by IANR's Board of Directors. The Board of Directors has five directors; two directors from the Company, two directors from the common shareholders and one independent director who is elected by unanimous decision of the other four directors. The vote of four of the five directors is required for all key decisions.

The Company's current maximum exposure to loss related to IANR is \$23.0 million, which represents the Company's investment at fair value plus unpaid accrued dividends to date of \$5.3 million. The Company does not have any obligation or commitments to provide additional financial support to IANR.

Related Party Transactions

In the ordinary course of business, the Company will enter into related party transactions with each of the investments described above, along with other related parties. The following table sets forth the related party transactions entered into for the time periods presented:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Sales revenues	\$316,154	\$234,258	\$985,618	\$654,308
Service fee revenues (a)	5,746	5,329	17,360	16,201
Purchases of product	190,009	173,519	535,068	467,841
Lease income (b)	1,590	1,695	4,661	5,428
Labor and benefits reimbursement (c)	2,682	3,192	7,948	8,943
Other expenses (d)	325	279	1,078	615
Accounts receivable at September 30 (e)	19,736	27,548		
Accounts payable at September 30 (f)	16,163	18,474		

(a) Service fee revenues include management fee, corn origination fee, ethanol and DDG marketing fees, and other commissions.

(b) Lease income includes the lease of the Company's Albion, Michigan and Clymers, Indiana grain facilities as well as certain railcars to the various ethanol LLCs and IANR.

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

(d) Other expenses include payments to IANR for repair facility rent and use of their railroad reporting mark, payment to LTG for the lease of railcars and other various expenses.

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

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

For the quarters ended September 30, 2013 and 2012, revenues recognized for the sale of ethanol that the Company purchased from the unconsolidated ethanol LLCs were \$155.9 million and \$192.8 million, respectively. For the nine months ended September 30, 2013 and 2012, revenues recognized for the sale of ethanol that the Company purchased from the unconsolidated ethanol LLCs were \$464.5 million and \$489.0 million, respectively. For the quarters ended September 30, 2013 and 2012, revenues recognized for the sale of corn to the unconsolidated ethanol LLCs under these agreements were \$179.1 million and \$143.4 million, respectively. For the nine months ended September 30, 2013 and 2012, revenues recognized for the sale of corn to the unconsolidated ethanol LLCs were \$584.3 million and \$487.8 million, respectively.

From time to time, the Company enters into derivative contracts with certain of its related parties for the purchase and sale of corn and ethanol, for similar price risk mitigation purposes and on similar terms as the purchase and sale derivative contracts it enters into with unrelated parties. The fair value of derivative contract assets with related parties

for the periods ended September 30, 2013, December 31, 2012 and September 30, 2012 was \$14.2 million, \$3.2 million, and \$1.7 million, respectively. The fair value of derivative contract liabilities with related parties for the periods ended September 30, 2013, December 31, 2012 and September 30, 2012 was \$3.3 million, \$0.3 million, and \$4.5 million, respectively.

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9. Fair Value Measurements

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis at September 30, 2013, December 31, 2012 and September 30, 2012:

(in thousands)	September 30, 2013			
Assets (liabilities)	Level 1	Level 2	Level 3	Total
Cash equivalents	\$90,093	\$—	\$—	\$90,093
Restricted cash	164	—	—	164
Commodity derivatives, net (c)	62,560	(55,035	) —	7,525
Convertible preferred securities (b)	—	—	17,710	17,710
Other assets and liabilities (a)	9,539	(1,045	) —	8,494
Total	\$162,356	\$(56,080	) \$17,710	\$123,986

(in thousands)	December 31, 2012			
Assets (liabilities)	Level 1	Level 2	Level 3	Total
Cash equivalents	\$78,674	\$—	\$—	\$78,674
Restricted cash	398	—	—	398
Commodity derivatives, net (c)	46,966	23,634	—	70,600
Convertible preferred securities (b)	—	—	17,220	17,220
Other assets and liabilities (a)	7,813	(2,109	) —	5,704
Total	\$133,851	\$21,525	\$17,220	\$172,596

(in thousands)	September 30, 2012			
Assets (liabilities)	Level 1	Level 2	Level 3	Total
Cash equivalents	\$39,904	\$—	\$—	\$39,904
Restricted cash	160	—	—	160
Commodity derivatives, net (c)	15,619	113,513	—	129,132
Convertible preferred securities (b)	—	—	17,350	17,350
Other assets and liabilities (a)	7,515	(1,966	) —	5,549
Total	\$63,198	\$111,547	\$17,350	\$192,095

(a) Included in other assets and liabilities are interest rate and foreign currency derivatives, swaptions and deferred compensation assets.

(b) Recorded in "Other noncurrent assets" on the Company's Condensed Consolidated Balance Sheets.

(c) Includes associated cash posted/received as collateral

Level 1 commodity derivatives reflect the fair value of the exchanged-traded futures and options contracts that the Company holds, net of the cash collateral that the Company has in its margin account.

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

The Company's net commodity derivatives primarily consist of futures or options contracts via regulated exchanges and contracts with producers or customers under which the future settlement date and bushels (or gallons in the case of ethanol contracts) of commodities to be delivered (primarily wheat, corn, soybeans and ethanol) are fixed and under which the price may or may not be fixed. Depending on the specifics of the individual contracts, the fair value is derived from the futures or options prices on the CME or the New York Mercantile Exchange for similar commodities and delivery dates as well as observable quotes for local basis adjustments (the difference, which is attributable to local market conditions, between the quoted futures price and the local cash price). Because "basis" for a particular

commodity and location typically has multiple quoted prices from other agribusinesses in the same geographical vicinity and is used as a common pricing mechanism in the

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Agribusiness industry, we have concluded that “basis” is a “Level 2” fair value input for purposes of the fair value disclosure requirements related to our commodity derivatives. Although nonperformance risk, both of the Company and the counterparty, is present in each of these commodity contracts and is a component of the estimated fair values, based on the Company’s historical experience with its producers and customers and the Company’s knowledge of their businesses, the Company does not view nonperformance risk to be a significant input to fair value for the majority of these commodity contracts.

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

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

(in thousands)	2013			2012		
	Interest rate derivatives and swaptions	Convertible preferred securities	Commodity derivatives, net	Interest rate derivatives and swaptions	Convertible preferred securities	Commodity derivatives, net
Asset (liability) at December 31,	\$—	\$17,220	\$—	\$(2,178)	\$20,360	\$2,467
Unrealized gains included in other comprehensive income	—	490	—	—	—	—
Transfers to level 2	—	—	—	2,178	—	(2,467)
Asset at March 31,	\$—	\$17,710	\$—	\$—	\$20,360	\$—
Unrealized losses included in other comprehensive income	—	—	—	—	(3,010)	—
Asset at June 30,	\$—	\$17,710	\$—	\$—	\$17,350	\$—
Unrealized gains (losses) included in other comprehensive income	—	—	—	—	—	—
Asset at September 30,	\$—	\$17,710	\$—	\$—	\$17,350	\$—

The following table summarizes information about the Company's Level 3 fair value measurements as of September 30, 2013:

Quantitative Information about Level 3 Fair Value Measurements

(in thousands)	Fair Value as of September 30, 2013	Valuation Method	Unobservable Input	Range		Weighted Average
				Low	High	
Convertible Preferred Securities	\$17,710	Market Approach	EBITDA Multiples	5.50	7.00	6.60
		Income Approach	Discount Rate	17.0	% 17.0	% 17.0

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Fair Value of Financial Instruments

The fair value of the Company's long-term debt is estimated using quoted market prices or discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. As such, the Company has concluded that the fair value of long-term debt is considered "Level 2" in the fair value hierarchy.

(in thousands)	September 30, 2013	December 31, 2012
Fair value of long-term debt	\$428,726	\$459,397
Fair value in excess of carrying value	3,476	17,009
The fair value of the Company's cash equivalents, accounts receivable and accounts payable approximate their carrying value as they are close to maturity.		

10. Debt

The Company is party to borrowing arrangements with a syndicate of banks. See Note 10 in the Company's 2012 Form 10-K for a complete description of these arrangements. Total borrowing capacity for the Company under all lines of credit is currently at \$878.1 million, including \$28.1 million non-recourse debt of The Andersons Denison Ethanol LLC ("TADE"). At September 30, 2013, the Company had a total of \$847.5 million available for borrowing under its lines of credit. The Company was in compliance with all financial and non-financial covenants as of September 30, 2013.

The Company's short-term and long-term debt at September 30, 2013, December 31, 2012 and September 30, 2012 consisted of the following:

(in thousands)	September 30, 2013	December 31, 2012	September 30, 2012
Borrowings under short-term line of credit – nonrecourse	\$—	\$4,219	\$522
Borrowings under short-term line of credit – recourse	—	20,000	275,000
Total borrowings under short-term line of credit	\$—	\$24,219	\$275,522
Current maturities of long-term debt – nonrecourse	\$3,277	\$2,496	\$1,716
Current maturities of long-term debt – recourse	40,955	12,649	30,939
Total current maturities of long-term debt	\$44,232	\$15,145	\$32,655
Long-term debt, less current maturities – nonrecourse	\$8,223	\$20,067	\$25,686
Long-term debt, less current maturities – recourse	372,795	407,176	286,718
Total long-term debt, less current maturities	\$381,018	\$427,243	\$312,404

11. Commitments and Contingencies

The Company is party to litigation, or threats thereof, both as defendant and plaintiff with some regularity, although individual cases that are material in size occur infrequently. As a defendant, the Company establishes reserves for claimed amounts that are considered probable, and capable of estimation. If those cases are resolved for lesser amounts, the excess reserves are taken into income and, conversely, if those cases are resolved for larger than the amount the Company has accrued, the Company records additional expense. The Company believes it is unlikely that the results of its current legal proceedings for which it is the defendant, even if unfavorable, will be material. As a plaintiff, amounts that are collected can also result in sudden, non-recurring income. Litigation results depend upon a variety of factors, including the availability of evidence, the credibility of witnesses, the performance of counsel, the state of the law, and the impressions of judges and jurors, any of which can be critical in importance, yet difficult, if not impossible, to predict. Consequently, cases currently pending, or future matters, may result in unexpected, and non-recurring losses, or income, from time to time. Finally, litigation results are often subject to judicial reconsideration, appeal and further negotiation by the parties, and as a result, the final impact of a particular judicial decision may be unknown for some time, or may result in continued reserves to account for the potential of such

post-verdict actions. In the third quarter, the Company recorded a \$3.5 million gain in other income related to the settlement of an early lease termination.

The estimated range of loss for all outstanding claims that are considered reasonably possible of occurring is not material. The Company has received, and is cooperating fully with, a request for information from the United States Environmental Protection Agency (“U.S. EPA”) regarding the history of our grain and fertilizer facility along the Maumee River in Toledo,

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Ohio. The U.S. EPA is investigating the possible introduction into the Maumee River of hazardous materials potentially leaching from rouge piles deposited along the riverfront by glass manufacturing operations that existed in the area prior to our initial acquisition of the land in 1960. The Company has on several prior occasions cooperated with local, state and federal regulators to install or improve drainage systems to contain storm water runoff and sewer discharges along our riverfront property to minimize the potential for such leaching. Other area land owners and the successor to the original glass making operations have also been contacted by the U.S. EPA for information. No claim or finding has been asserted thus far.

12. Business Acquisitions

On August 5, 2013, the Company completed the purchase of substantially all of the assets of Mile Rail, LLC and a sister entity for a purchase price of \$7.8 million. The operations consist of a railcar repair and cleaning facility headquartered in Kansas City, Missouri, with 2 satellite locations in Nebraska and Indiana.

The purchase price allocation is preliminary, pending completion of the full valuation report; however, significant changes are not anticipated. The summarized preliminary purchase price allocation is as follows:

(in thousands)

Inventory	\$512
Other assets	14
Intangible assets	650
Goodwill	4,167
Property, plant and equipment	2,605
Other liabilities	(144)
Total purchase price	\$7,804

The goodwill recognized as a result of the Mile Rail acquisition is \$4.2 million, which is fully deductible for tax purposes, and is included in the Rail segment. The goodwill relates to geography that is complimentary to the Rail Group's existing repair network and from its additional connections to several U.S. Class I railroads, from which we anticipate future growth and capacity to generate gross profit.

Details of the intangible assets acquired are as follows:

(in thousands)	Fair Value	Useful Life
Customer relationships	\$400	5 years
Noncompete agreement	250	5 years
Total identifiable intangible assets	\$650	5 years *

*weighted average number of years

Prior Year Business Acquisitions

On December 3, 2012, the Company completed the purchase of a majority of the grain and agronomy assets of Green Plains Grain Company ("GPG"), a subsidiary of Green Plains Renewable Energy, Inc. for a purchase price of \$120.2 million, which included a \$3.3 million payable to the acquiree that was outstanding as of December 31, 2012 and paid in January 2013. The various facilities located in Iowa and Tennessee have a combined grain storage capacity of more than 32.0 million bushels and 12,000 tons of nutrient storage.

During the first quarter of 2013, the purchase price allocation for Green Plains Grain Company, which was acquired in the fourth quarter of 2012 was finalized. The measurement period adjustments to the purchase price allocation are the result of additional information obtained since the filing of our Form 10-K for the year ended December 31, 2012.

Due to these revision of estimates, (i) property, plant and equipment decreased \$135 thousand, (ii) intangible assets decreased \$2.6 million due to a change in forecasted cash flows specific to the agronomy assets, (iii) other liabilities and noncontrolling interests increased \$235 thousand to reflect the noncontrolling interest in the acquisition and (iv)

goodwill increased \$3 million as an offset to the above-mentioned changes related to certain entities acquired.

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The summarized final purchase price allocation is as follows:

(in thousands)		
Accounts receivable	\$ 19,174	
Inventory	121,983	
Property, plant and equipment	57,828	
Intangible assets	4,600	
Goodwill	33,175	
Commodity derivatives	4,701	
Other assets	1,775	
Accounts payable	(91,001	)
Debt assumed	(29,632	)
Other liabilities and noncontrolling interests	(2,371	)
Total purchase price	\$ 120,232	

The goodwill recognized as a result of the GPG acquisition is \$33.2 million, for which the full amount is deductible for tax purposes, and is included in the Grain reportable segment. The goodwill relates to the value of a fully functional business consisting of a successful management team and an experienced and talented work force. Details of the intangible assets acquired are as follows:

(in thousands)	Fair Value	Useful Life
Supplier relationships	\$4,600	3 to 5 years
Total identifiable intangible assets	\$4,600	4 years *
*weighted average number of years		

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

The summarized purchase price allocation is as follows:

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

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

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Details of the intangible assets acquired are as follows:

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

*weighted average number of years

On May 1, 2012, the Company and its subsidiary, TADE completed the purchase of certain assets of an ethanol production facility in Denison, Iowa for a purchase price of \$77.4 million. Previously owned by Amaizing Energy Denison LLC and Amaizing Energy Holding Company, LLC, the operations consist of a 55 million gallon capacity ethanol facility with an adjacent 2.7 million bushel grain terminal, with direct access to two Class 1 railroads in Iowa. TADE has been organized to provide investment opportunity for the Company and potential outside investors. The Company owns the grain terminal, manages TADE, and provides grain origination, risk management, and DDG and ethanol marketing services. The Company currently owns a controlling interest of 85% of TADE, and therefore includes TADE's results of operations in its consolidated financial statements. The fair value of the noncontrolling interest in TADE purchased by the minority investor at the acquisition date was \$6.1 million.

The summarized purchase price allocation is as follows:

(in thousands)	
Grain elevator	\$14,285
Inventory	10,087
Intangible assets	2,373
Other current assets	962
Property, plant and equipment	49,693
Total purchase price	\$77,400

Details of the intangible assets acquired are as follows:

(in thousands)	Fair Value	Useful Life
Lease intangibles	\$2,123	10 months to 5 years
Noncompete agreement	250	2 years
Total identifiable intangible assets	\$2,373	3 years *

*weighted average number of years

On October 30, 2012, the Company completed the purchase of substantially all of the assets of Mt. Pulaski Products for a purchase price of \$10.7 million. The operations consist of several corn cob processing facilities in central Illinois. The summarized purchase price allocation is as follows:

(in thousands)	
Inventory	\$3,757
Intangible assets	1,000
Goodwill	1,985
Property, plant and equipment	3,941
Total purchase price	\$10,683

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The goodwill recognized as a result of the Mt. Pulaski acquisition is \$2.0 million, for which the full amount is deductible for tax purposes, and is included in the Turf & Specialty segment. The goodwill relates to expected synergies from combining operations as well as an assembled workforce.

Details of the intangible assets acquired are as follows:

(in thousands)	Fair Value	Useful Life
Trademark	\$300	Indefinite
Customer list	600	10 years
Noncompete agreement	100	7 years
Total identifiable intangible assets	\$1,000	10 years *
*weighted average number of years		

13. Income Taxes

For the three months ended September 30, 2013, the income tax effective rate was 36.5%. For the three months ended September 30, 2012, the income tax effective rate was 37.6%. The decrease in the effective rate was due primarily to income attributable to the noncontrolling interest that did not increase taxes and the Company's share of Thompsons Limited foreign joint venture earnings considered indefinitely reinvested outside the U.S. This was offset by the tax impact of costs associated with the Thompsons Limited acquisition for which there is no tax benefit.

For the nine months ended September 30, 2013, the income tax effective rate was 37.7%. For the nine months ended September 30, 2012, the income tax effective rate was 37.4%. The increase in the effective rate was due primarily to a correction made with respect to the accounting for the other comprehensive income portion of the Company's retiree health care plan liability and the Medicare Part D subsidy and the tax effects of costs associated with the Thompsons Limited acquisition for which there is no tax benefit. Offsetting these increases is income attributable to the noncontrolling interest that did not increase taxes and the Company's share of Thompsons Limited foreign joint venture earnings considered indefinitely reinvested outside the U.S.

The Company's 2013 income tax provision includes deferred tax expense of \$1.4 million due to a correction of other comprehensive income related to the portion of the Company's retiree health care plan liability and the Medicare Part D subsidy. The correction related to the years 2009 through 2012 and was recorded during the first quarter of 2013. The impact of this error on amounts previously reported was determined to be immaterial to the Consolidated Financial Statements. As a result of the correction of the error, deferred income tax expense for the nine months ended September 30, 2013 increased and accumulated other comprehensive loss decreased by \$1.4 million.

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, 2012 ("2012 Form 10-K"). In some cases, you can identify forward-looking statements by terminology such as "may," "anticipates," "believes," "estimates," "predicts," or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. These forward-looking statements relate only to events as of the date on which the statements are made and the Company undertakes no obligation, other than any imposed by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results,

levels of activity, performance or achievements.

Critical Accounting Policies and Estimates

Our critical accounting policies and critical accounting estimates, as described in our 2012 Form 10-K, have not materially changed during the first three quarters of 2013.

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Executive Overview

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

Grain Business

Our Grain business operates grain elevators in various states in the U.S. Corn Belt. In addition to storage, merchandising and grain trading, Grain performs marketing, risk management, and corn origination services to its customers and affiliated ethanol production facilities. Grain is a significant investor in Lansing Trade Group, LLC ("LTG"), an established commodity trading, grain handling and merchandising business with operations throughout the country and with global trading/merchandising offices.

Grain inventories on hand at September 30, 2013 were 46.8 million bushels, of which 4.7 million bushels were stored for others. This compares to 55.0 million bushels on hand at September 30, 2012, of which 0.9 million bushels were stored for others.

The unusually cool, wet summer produced record corn crops in the eastern corn belt and better than expected soy bean yields as well. According to the U.S. Department of Agriculture's Crop Progress Report, an average of 68% of corn has been harvested in states where we have grain facilities, which is behind prior year and ahead of the five year average. Soybeans are 90% harvested in states where we have grain facilities, which is ahead of both prior year and the five year average. Next year's winter wheat crop is approximately 96% planted in our primary region. As we look to the fourth quarter, post-harvest inventories are expected to be at levels which are anticipated to have a favorable impact on space income into 2014.

On July 31, 2013, we, along with Lansing Trade Group, LLC established joint ventures that acquired 100% of the stock of Thompsons Limited, including its investment in the related U.S. operating company, for a purchase price of \$152 million, which includes an adjustment for excess working capital. The purchase price includes \$48 million cash paid by us, \$40 million cash paid by LTG, and \$64 million of external debt at Thompsons Limited. As part of the purchase LTG also contributed a Canadian branch of its business to Thompsons Limited. LTG is currently performing a valuation of its contributed business, which could potentially result in a gain for book purposes to be recorded in the fourth quarter by LTG. While the valuation is still being performed, our portion of the gain could be approximately \$3 million. Each Company owns 50% of the investment. Thompsons Limited is a grain and food-grade bean handler and agronomy input provider, headquartered in Blenheim, Ontario, and operates 12 locations across Ontario and Minnesota.

Ethanol Business

Our Ethanol business holds investments in four ethanol production facilities organized as separate limited liability companies, three of which are accounted for under the equity method (the "unconsolidated ethanol LLCs") and one that is consolidated. The Andersons Denison Ethanol LLC ("TADE"). The Ethanol business purchases and sells ethanol, offers facility operations, risk management, and ethanol, corn oil and distillers dried grains ("DDG") marketing to the ethanol plants in which it invests in and operates, as well as third parties.

Ethanol and co-product demand continued to be strong during the third quarter, which had a favorable impact on ethanol prices and overall margins. Earnings realized from our ethanol LLC investments were positive for the quarter and nine months ended September 30, 2013. At this time, we have some future production and required inputs under contract at positive margins, although the potential still exists for negative margins in the fourth quarter due to an expected increase in ethanol industry production and stocks as well as a seasonal decline in gasoline demand.

Ethanol volumes shipped for the three and nine months ended September 30, 2013 and 2012 were as follows:

(in thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Ethanol (gallons shipped)	70,271	70,396	209,986	195,841
E-85 (gallons shipped)	7,875	4,590	18,223	13,831

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Corn Oil (pounds shipped)	22,736	16,455	61,592	40,011
DDG (tons shipped)	257	243	781	729

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Plant Nutrient Business

Our Plant Nutrient business is a leading manufacturer, distributor and retailer of agricultural and related plant nutrients and pelleted lime and gypsum products in the U.S. Corn Belt, Florida and Puerto Rico. The Plant Nutrient Group provides warehousing, packaging and manufacturing services to basic manufacturers and other distributors. The business also manufactures and distributes a variety of industrial products throughout the U.S. and Puerto Rico including nitrogen reagents for air pollution control systems used in coal-fired power plants, water treatment products, and de-icers and anti-icers for airport runways, roadways, and other commercial applications. The major nutrient products sold by the business principally contain nitrogen, phosphate, potassium and sulfur.

Storage capacity at our wholesale nutrient and farm center facilities was approximately 470,000 tons for dry nutrients and approximately 398,000 tons for liquid nutrients at September 30, 2013.

Fertilizer tons sold (including sales and service tons) for the three and nine months ended September 30, 2013 were 0.3 million tons and 1.4 million tons, respectively, compared to the three and nine months ended September 30, 2012 of 0.4 million tons and 1.6 million tons. Volume for the period was lower than anticipated due to harvest occurring later this year compared to the prior year, which proved to be unfavorable for early third quarter nutrient application. Given good fall weather and crop yields this sales volume should move into the fourth quarter as harvest is now in progress.

Rail Business

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

In the third quarter, Rail had gains on sales of railcars and related leases in the amount of \$2.2 million compared to \$13.5 million in the prior year. Railcars and locomotives under management (owned, leased or managed for financial institutions in non-recourse arrangements) at September 30, 2013 were 22,651 compared to 23,384 at September 30, 2012. The average utilization rate (railcars and locomotives under management that are in lease services, exclusive of railcars managed for third party investors) has increased slightly from 84.3% to 86.2% for the quarters ended September 30, 2012 and 2013.

On August 5, 2013, the Company completed the purchase of substantially all of the assets of Mile Rail, LLC and a sister entity for a purchase price of \$7.8 million. The operations consist of a railcar repair and cleaning facility headquartered in Kansas City, Missouri and two satellite locations in Nebraska and Indiana. The acquired assets give the Rail Group additional connections to several U.S. Class I railroads, from which we anticipate future growth and capacity to generate gross profit.

The Rail Group continues to effectively manage its fleet and look for potential opportunities in the repair business.

Turf & Specialty Business

Turf & Specialty is one of a very limited number of processors of corncob-based products in the United States. Corncob-based products are manufactured for a variety of uses including laboratory animal bedding, private-label cat litter, as well as absorbents, blast cleaners, carriers and polishers. Corncob-based products are sold throughout the year. Turf & Specialty also produces granular fertilizer products for the professional lawn care and golf course markets. It also sells consumer fertilizer and weed and turf pest control products for “do-it-yourself” application to mass merchandisers, small independent retailers and other lawn fertilizer manufacturers and performs contract manufacturing of fertilizer and weed and turf pest control products. These products are distributed throughout the United States and Canada and into Europe and Asia. The turf products industry is highly seasonal, with the majority of sales occurring from early spring to early summer.

Retail Business

Our Retail business includes large retail stores operated as “The Andersons” and a specialty food market operated as “The Andersons Market”. It also operates a sales and service facility for outdoor power equipment. The retail concept is More for Your Home ® and the conventional retail stores focus on providing significant product breadth with offerings in home improvement and other mass merchandise categories, as well as specialty foods, wine and indoor

and outdoor garden centers.

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

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Other

Our “Other” business segment represents corporate functions that provide support and services to the operating segments. The results contained within this segment include expenses and benefits not allocated back to the operating segments, including implementation expenses for our ERP project.

Operating Results

The following discussion focuses on the operating results as shown in the Condensed Consolidated Statements of Income with a separate discussion by segment. Additional segment information is included in the Notes to the Condensed Consolidated Financial Statements herein in Note 7. Segment Information.

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2013	2012	2013	2012
Sales and merchandising revenues	\$1,181,374	\$1,138,402	\$4,020,308	\$3,591,369
Cost of sales and merchandising revenues	1,108,228	1,060,086	3,764,660	3,324,533
Gross profit	73,146	78,316	255,648	266,836
Operating, administrative and general expenses	69,193	58,029	192,665	177,339
Interest expense	5,348	5,482	16,607	16,192
Equity in earnings of affiliates	22,177	6,027	39,991	15,406
Other income, net	7,605	3,492	11,623	9,409
Income before income taxes	28,387	24,324	97,990	98,120
Income (loss) attributable to noncontrolling interests	878	(1,693)	1,805	(3,100)
Income before income taxes attributable to The Andersons, Inc.	\$27,509	\$26,017	\$96,185	\$101,220

Comparison of the three months ended September 30, 2013 with the three months ended September 30, 2012:
Grain Group

	Three months ended September 30,	
(in thousands)	2013	2012
Sales and merchandising revenues	\$765,833	\$677,484
Cost of sales and merchandising revenues	738,828	656,318
Gross profit	27,005	21,166
Operating, administrative and general expenses	24,518	16,669
Interest expense	1,391	3,465
Equity in earnings of affiliates	12,003	9,249
Other income (expense), net	1,216	526
Income before income taxes	14,315	10,807
Loss attributable to noncontrolling interest	(8)	—
Income before income taxes attributable to The Andersons, Inc.	\$14,323	\$10,807

Operating results for the Grain Group have improved \$3.5 million compared to the results of the same period last year. Sales and merchandising revenues increased \$88.3 million and is primarily the result of an increase in the volume of bushels shipped (including newly acquired facilities) for corn and wheat and was partially offset by a decrease in the average price per bushel sold. Cost of sales and merchandising revenues increased \$82.5 million compared to the third quarter of 2012 and was also driven by higher volume. Gross profit is up \$5.8 million over the third quarter of September 2012 and is primarily a result of margin recognized on a higher number of bushels sold. The business acquisition in the fourth quarter of 2012 added approximately \$136.3 million of revenues and \$2.9 million of gross profit in the third quarter.

Operating expenses increased \$7.8 million compared to the same period in 2012 with over half of the increase attributable to the new locations acquired in the fourth quarter of last year. The remaining increases are due to higher employee related expenses as well as depreciation expense due to recent acquisitions and other growth projects. Interest expense is lower

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compared to the same period in 2012 due to having fewer bushels in inventory and lower commodity prices resulting in lower inventory values. Equity in earnings of affiliates increased \$2.8 million over the same period in 2012, primarily due to the performance of the investment in LTG. Other income is higher in the current year due to certain foreign exchange gains recognized during the quarter.

Ethanol Group

(in thousands)	Three months ended September 30,	
	2013	2012
Sales and merchandising and service fee revenues	\$213,384	\$209,634
Cost of sales and merchandising revenues	208,649	205,788
Gross profit	4,735	3,846
Operating, administrative and general expenses	2,865	2,968
Interest expense	289	284
Equity in earnings (loss) of affiliates	10,174	(3,224)
Other income, net	35	1
Income (loss) before income taxes	11,790	(2,629)
Income (loss) attributable to noncontrolling interests	886	(1,693)
Income (loss) before income taxes attributable to The Andersons, Inc.	\$10,904	\$(936)

Operating results for the Ethanol Group improved \$11.8 million over the results of the same period last year. Sales and merchandising and service fee revenues increased \$3.7 million and is primarily due to an increase in the average price per gallon of ethanol sold, partially offset by a decrease in gallons sold for the quarter. Sales of corn oil, an ethanol co-product, also contributed to the increase over the third quarter of 2012. The increase in cost of sales is consistent with higher sales and merchandising and service fee revenues. The increase in gross profit quarter over quarter is attributed to the increase in ethanol demand and the price of ethanol which contributed to more favorable margins, in addition to mark to market gains on certain hedges.

Operating expenses were comparable to the same period last year. There were no significant changes in interest expense and other income. Equity in earnings of affiliates improved \$13.4 million and relates to improved earnings from our unconsolidated ethanol LLC investments. The ethanol plants' performance was favorably impacted by higher ethanol margins resulting from declining corn costs and higher demand for ethanol.

Plant Nutrient Group

(in thousands)	Three months ended September 30,	
	2013	2012
Sales and merchandising revenues	\$95,681	\$135,144
Cost of sales and merchandising revenues	82,128	119,847
Gross profit	13,553	15,297
Operating, administrative and general expenses	14,770	14,338
Interest expense	746	725
Equity in earnings of affiliates	—	2
Other income, net	320	523
Income (loss) before income taxes	\$(1,643)	\$759

Operating results for the Plant Nutrient Group decreased \$2.4 million from the same period last year. During the first quarter, certain agronomy assets from the Green Plains Grain Company business acquisition completed in the fourth quarter of 2012, were reclassified from the Grain segment to the Plant Nutrient segment. The impact on third quarter 2013 operating results of the Plant Nutrient Group was a loss of \$0.5 million. Sales and merchandising revenues decreased \$39.5 million due to a decrease in both volume and average price per ton sold. The decreases in cost of

sales and merchandising revenues and gross profit was also driven by lower sales volume due to a later harvest compared to prior year. In addition, margins for most

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nutrients are lower due to the market being flat with little price appreciation, and the reluctance of our dealer and farmer customers to purchase products ahead of need.

Operating expenses were comparable to the same period in 2012. There were no significant changes in interest expense, equity in earnings of affiliates, or other income.

Rail Group

(in thousands)	Three months ended September 30,	
	2013	2012
Sales and merchandising revenues	\$47,523	\$59,703
Cost of sales and merchandising revenues	34,523	36,811
Gross profit	13,000	22,892
Operating, administrative and general expenses	4,451	4,287
Interest expense	1,220	1,229
Other income, net	5,031	1,695
Income before income taxes	\$12,360	\$19,071

Operating results for the Rail Group declined by \$6.7 million compared to the results from the same period last year. The decrease in revenues was driven by a \$13.5 million decrease in car sales, partially offset by an increase in leasing revenues of \$0.8 million and sales in the repair facilities of \$0.5 million. The decrease in car sales was due to lower volume and the increase in leasing revenues is primarily attributed to favorable lease rates. Cost of sales and merchandising revenues decreased \$2.3 million compared to the same period last year primarily as a result of lower volume of car sales.

Rail gross profit decreased by \$9.9 million compared to the third quarter of 2012. Gross profit on car sales decreased \$11.3 million primarily as a result of lower volume of nonrecourse financing transactions. Gross profit in the leasing business increased \$1.3 million and is attributed to improved lease rates, while gross profit in the repair facilities increased \$0.1 million.

Operating expenses are comparable quarter over quarter. There were no significant changes in interest expense. Other income is higher in the third quarter of 2013 compared to the same period last year and relates primarily to income from the settlement of two nonperforming railcar leases in the amount of \$4.3 million.

Turf & Specialty Group

(in thousands)	Three months ended September 30,	
	2013	2012
Sales and merchandising revenues	\$27,624	\$21,509
Cost of sales and merchandising revenues	21,216	16,213
Gross profit	6,408	5,296
Operating, administrative and general expenses	6,423	6,810
Interest expense	203	238
Other income, net	135	181
Income before income taxes	\$(83)	\$(1,571)

Operating results for the Turf & Specialty Group improved \$1.5 million for the third quarter of 2013 compared to results from the same period last year. Sales and merchandising revenues increased \$6.1 million primarily due to a volume increase in the both the cob and lawn fertilizer businesses offset partially by a decrease in the average price per ton sold. The business acquired in the fourth quarter of 2012 impacted revenues in the amount of \$2.5 million during the quarter. Consistent with the increase in revenues, cost of sales and merchandising revenues increased \$5.0

million compared to the same period last year and was driven by the increase in volume as average cost per ton was lower than prior year. Gross profit increased \$1.1 million due to volume increases.

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

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Retail Group

(in thousands)	Three months ended September 30,	
	2013	2012
Sales and merchandising revenues	\$31,329	\$34,928
Cost of sales and merchandising revenues	22,884	25,109
Gross profit	8,445	9,819
Operating, administrative and general expenses	10,438	11,488
Interest expense	152	217
Other income, net	102	117
Income before income taxes	\$(2,043)	\$(1,769)

Operating results for the Retail Group are comparable with the results of the same period last year. Sales and merchandising revenues decreased \$3.6 million. The average sale per customer increased slightly but was not enough to offset the decrease in customer count quarter over quarter. Cost of sales and merchandising revenues decreased \$2.2 million and gross profit decreased \$1.4 million and was also driven by lower volume. The majority of these changes are due to the closure of the Woodville, Ohio store in the first quarter of 2013.

Operating expenses were \$1.1 million lower than the comparable period last year primarily due to lower labor and benefits and advertising expenses due to the closure of the Woodville store in the first quarter of 2013. There were no significant changes in interest expense and other income quarter over quarter.

Other

(in thousands)	Three months ended September 30,	
	2013	2012
Sales and merchandising revenues	\$—	\$—
Cost of sales and merchandising revenues	—	—
Gross profit	—	—
Operating, administrative and general expenses	5,728	1,469
Interest (income) expense	1,347	(676)
Other income, net	766	449
Loss before income taxes	\$(6,309)	\$(344)

Net corporate operating loss not allocated to business segments produced a loss of \$6.3 million for the quarter ended September 30, 2013. Operating expenses were higher in the third quarter of 2013 due to higher employee benefit related expenses and the ongoing expenses incurred related to the phased implementation of an enterprise resource planning system. Interest expense increased due to mark-to-market adjustments on interest rate derivative contracts.

The Company anticipates that its 2013 annual effective tax rate will be 37.2%. The Company's actual 2012 effective tax rate was 37.1%. The higher effective rate for 2013 is due to a correction made in the first quarter with respect to the accounting for the other comprehensive income portion of the Company's retiree health care plan liability and the Medicare Part D subsidy, offset by income attributable to the noncontrolling interest that does not increase taxes.

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Comparison of the nine months ended September 30, 2013 with the nine months ended September 30, 2012:

Grain Group

(in thousands)	Nine months ended September 30,	
	2013	2012
Sales and merchandising revenues	\$2,493,678	\$2,096,256
Cost of sales and merchandising revenues	2,419,731	2,016,049
Gross profit	73,947	80,207
Operating, administrative and general expenses	67,944	49,832
Interest expense	7,714	9,404
Equity in earnings of affiliates	24,940	22,706
Other income, net	1,438	1,842
Income before income taxes	24,667	45,519
Loss attributable to noncontrolling interest	(8	) —
Income before income taxes attributable to The Andersons, Inc.	\$24,675	\$45,519

Operating results for the Grain Group decreased \$20.8 million from the results of the same period last year. Sales and merchandising revenues increased \$397.4 million and is primarily the result of an increase in the volume of bushels shipped (including newly acquired facilities) and was partially offset by a slight decrease in the average price per bushel sold for wheat. Cost of sales and merchandising revenues increased \$403.7 million and is consistent with the increase in sales volume. Gross profit decreased \$6.3 million from the first nine months of 2012 and relates primarily to a decrease in space income, and more specifically basis appreciation. Basis is defined as the difference between the cash price of a commodity in one of the Company's facilities and the nearest exchange traded futures price.

Operating expenses increased \$18.1 million over the same period in 2012 due to an increase in labor related to organizational growth, depreciation expense due to increased capital investment, and professional service fees related to completion of the investment in Thompsons Limited. Interest expense is lower compared to the same period in 2012 due to having fewer bushels in inventory and lower commodity prices resulting in lower inventory values. Equity in earnings of affiliates increased \$2.2 million over the same period in 2012 and relates to income from the investment in LTG. There were no significant changes in other income year over year.

Ethanol Group

(in thousands)	Nine months ended September 30,	
	2013	2012
Sales and merchandising and service fee revenues	\$634,933	\$528,062
Cost of sales and merchandising revenues	615,744	519,518
Gross profit	19,189	8,544
Operating, administrative and general expenses	8,013	6,803
Interest expense	895	493
Equity in earnings (loss) of affiliates	15,051	(7,305)
Other income, net	465	37
Income (loss) before income taxes	25,797	(6,020)
Income (loss) attributable to noncontrolling interests	1,813	(3,100)
Income (loss) before income taxes attributable to The Andersons, Inc.	\$23,984	\$(2,920)

Operating results for the Ethanol Group increased \$26.9 million over the results of the same period last year. Sales and merchandising and service fee revenues increased \$106.9 million as a result of an increase in both volume (due to added volume from the Denison, Iowa plant acquired in May 2012) and average price per gallon sold, as well as higher sales of ethanol co-products. The increase in cost of sales primarily relates to higher volume of ethanol and

co-products sold. Gross profit increased \$10.6 million over the first nine months of 2012 due to improvements in margins from declining corn costs and

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higher ethanol demand and price. Ethanol service fee income has also contributed to the increase in gross profit as certain fees earned are based on a percentage of sales.

Operating expenses increased \$1.2 million over the nine months ended September 30, 2012 primarily due to labor related expenses including performance incentives and the full nine months of Denison. Equity in earnings of affiliates increased \$22.4 million over the same period in 2012 and relates to income from the investment in three ethanol LLCs. Interest expense and other income did not fluctuate significantly year over year.

Plant Nutrient Group

(in thousands)	Nine months ended September 30,	
	2013	2012
Sales and merchandising revenues	\$537,922	\$619,301
Cost of sales and merchandising revenues	473,219	541,029
Gross profit	64,703	78,272
Operating, administrative and general expenses	41,666	43,321
Interest expense	2,461	2,067
Equity in earnings of affiliates	—	5
Other income, net	459	1,651
Income before income taxes	\$21,035	\$34,540

Operating results for the Plant Nutrient Group decreased \$13.5 million from the same period last year. Sales and merchandising revenues decreased \$81.4 million due to a decrease in both the average price per ton sold and volume in the wholesale nutrient business caused by a later harvest compared to prior year. Cost of sales and merchandising revenues decreased by \$67.8 million driven by the decline in volume and the average cost per ton sold. Gross profit decreased \$13.6 million primarily as a result of lower margin per ton sold as well as the decline in volume year over year.

Operating expenses decreased \$1.7 million due to a decrease in labor and benefits, including performance incentives. Other income was higher in 2012 due to gains recognized on assets that were involuntarily converted. There were no significant changes in equity in earnings of affiliates and interest expense.

Rail Group

(in thousands)	Nine months ended September 30,	
	2013	2012
Sales and merchandising revenues	\$132,488	\$127,608
Cost of sales and merchandising revenues	85,952	80,588
Gross profit	46,536	47,020
Operating, administrative and general expenses	12,439	12,464
Interest expense	4,162	3,563
Other income, net	6,679	3,295
Income before income taxes	\$36,614	\$34,288

Operating results for the Rail Group increased \$2.3 million year over year. Leasing revenues increased \$2.5 million, sales in the repair facilities increased \$2.0 million and car sales increased \$0.4 million. The increase in leasing revenues is attributable to higher lease rates, as well as having more cars in service, while the remaining increases were driven by higher volume of activity. Cost of sales and merchandising revenues increased \$5.4 million primarily as a result of the higher volume of car sales and repair facility activity.

Gross profit decreased by \$0.5 million compared to the first nine months of 2012. Gross profit in the leasing business increased \$5.7 million and is attributed to favorable lease rates compared to the same period last year. Gross profit on car sales decreased \$6.2 million and is due to lower volume of non-recourse lease transactions. Changes in margin on car sales are expected as the sales mix varies between nonrecourse financing transactions, direct car sales, and scrapped/destroyed car sales.

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Interest expense increased \$0.6 million from the same period last year due to a greater amount of borrowing. Operating expenses did not change significantly year over year. Other income is higher in 2013 due primarily to income from the settlement of two nonperforming railcar leases in the amount of \$4.3 million.

Turf & Specialty Group

	Nine months ended September 30,	
(in thousands)	2013	2012
Sales and merchandising revenues	\$117,955	\$110,481
Cost of sales and merchandising revenues	95,208	89,696
Gross profit	22,747	20,785
Operating, administrative and general expenses	16,268	17,166
Interest expense	951	906
Other income, net	585	671
Income before income taxes	\$6,113	\$3,384

Operating results for the Turf & Specialty Group improved \$2.7 million over the results of the same period last year. Sales and merchandising revenues increased by \$7.5 million and was driven by higher sales volume in the cob business, partially offset by a decrease in the average selling price and decreased volume in the lawn business partly offset by an increase in price. The impact of the acquisition of Mt. Pulaski in the fourth quarter of 2012 added approximately \$7.8 million in year-to-date revenues. Cost of sales and merchandising revenues increased \$5.5 million over the first nine months of 2012 due to the increase in volume as average cost per ton was lower than prior year. Gross profit increased \$2.0 million due to favorable product mix.

Operating expenses were lower in the first nine months of 2013 compared to the same period last year despite the expenses added by Mt. Pulaski. There were charges incurred in the prior year related to insurance claims that did not occur in 2013, in addition to cost savings generated from process efficiencies and waste elimination initiatives that are now being realized. There were no significant changes in interest expense and other income.

Retail Group

	Nine months ended September 30,	
(in thousands)	2013	2012
Sales and merchandising revenues	\$103,332	\$109,661
Cost of sales and merchandising revenues	74,806	77,653
Gross profit	28,526	32,008
Operating, administrative and general expenses	31,996	34,924
Interest expense	519	570
Other income, net	316	396
Loss before income taxes	\$(3,673)	\$(3,090)

The operating loss for the Retail Group has increased \$0.6 million compared to the first nine months of 2012. Sales and merchandising revenues decreased \$6.3 million due to a decrease in both customer counts and average sale per customer, as well as the closure of the Woodville store in the first quarter of 2013. Cost of sales and merchandising revenues was \$2.8 million lower and gross profit decreased \$3.5 million primarily as a result of lower store traffic.

Operating expenses decreased \$2.9 million mainly as a result of lower labor and benefits and advertising, which is partly attributable to the closing of the Woodville store as mentioned above. There were no significant changes in interest expense and other income.

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Other

(in thousands)	Nine months ended September 30,	
	2013	2012
Sales and merchandising revenues	\$—	\$—
Cost of sales and merchandising revenues	—	—
Gross profit	—	—
Operating, administrative and general expenses	14,339	12,829
Interest income	(95	) (811
Other income, net	1,681	1,517
Loss before income taxes	\$(12,563	) \$(10,501

The net corporate operating loss not allocated to business segments increased \$2.1 million to a loss of \$12.6 million for the year-to-date period ended September 30, 2013. Operating expenses were higher due to higher employee benefit related expenses and the ongoing expenses incurred related to the phased implementation of an enterprise resource planning system. Interest income decreased \$0.7 million over the same period last year mainly due to mark-to-market adjustments on interest rate derivative contracts. Other income did not change significantly period over period.

The Company anticipates that its 2013 annual effective tax rate will be 37.2%. The Company's actual 2012 effective tax rate was 37.1%. The higher effective rate for 2013 is due to a correction made in the first quarter with respect to the accounting for the other comprehensive income portion of the Company's retiree health care plan liability and the Medicare Part D subsidy, offset by income attributable to the noncontrolling interest that does not increase taxes.

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Liquidity and Capital Resources

Working Capital

At September 30, 2013, we had working capital of \$232.9 million. The following table presents changes in the components of current assets and current liabilities:

(in thousands)	September 30, 2013	September 30, 2012	Variance
Current Assets:			
Cash and cash equivalents	\$134,441	\$80,370	\$54,071
Restricted cash	164	160	4
Accounts receivables, net	178,970	199,158	(20,188)
Inventories	429,017	682,292	(253,275)
Commodity derivative assets – current	105,390	166,264	(60,874)
Deferred income taxes	5,254	20,627	(15,373)
Other current assets	42,278	41,568	710
Total current assets	895,514	1,190,439	(294,925)
Current Liabilities:			
Borrowing under short-term line of credit	—	275,522	(275,522)
Accounts payable for grain	241,575	250,066	(8,491)
Other accounts payable	200,664	204,347	(3,683)
Customer prepayments and deferred revenue	23,974	77,278	(53,304)
Commodity derivative liabilities – current	88,234	43,589	44,645
Accrued expenses and other current liabilities	63,900	53,631	10,269
Current maturities of long-term debt	44,232	32,655	11,577
Total current liabilities	662,579	937,088	(274,509)
Working capital	\$232,935	\$253,351	\$(20,416)

In comparison to September 30, 2012, current assets decreased primarily as a result of lower inventory levels driven by a decrease in ownership bushels in corn, beans, and wheat. See the discussion below on sources and uses of cash for an understanding of the change in cash from prior year. Accounts receivable is lower in the current year primarily related to the Plant Nutrient business which experienced a delay in fall fertilizer applications due to the late harvest as compared to the prior year. Commodity derivative assets have decreased and commodity derivative liabilities have increased as a result of a significant decreases in grain prices. The prices were higher in the prior year due to the drought and anticipation of a smaller crop, as opposed to anticipation of a very strong crop in the current year. The decrease in deferred income tax assets is due to a tax deduction that was taken during the second quarter related to the cash payment made to Cargill for the marketing agreement that settled in May 2013. Current liabilities decreased primarily due to lower borrowings on the short-term line of credit, which fluctuates with the funding of margin calls on commodity contracts and other working capital needs. Customer prepayments and deferred revenue have decreased significantly, a majority of which is due to the payout of a liability to Cargill for the marketing agreement that was settled in May 2013. These significant decreases were partially offset by increases in accrued expenses and current maturities of long-term debt. Higher accrued expenses and other current liabilities include accrued compensation related to performance incentives and accrued taxes. Current maturities increased primarily as a result of the timing of payments of the private placement debt.

Sources and Uses of Cash

Operating Activities

Our operating activities provided cash of \$129.0 million in the first nine months of 2013 compared to net cash used in operating activities of \$38.7 million in the first nine months of 2012.

Income tax payments were made in the third quarter in the amount of \$0.5 million. We expect to make additional payments totaling approximately \$0.1 million for the remainder of 2013.

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Investing Activities

Total capital spending for 2013 on property, plant and equipment in our base business, inclusive of information technology spending is expected to be approximately \$77.7 million. In addition to spending on conventional property, plant and equipment, we expect to spend \$100 million for the purchase of railcars, locomotives and related leases and capitalized modifications of railcars. We also expect to offset this amount by proceeds from the sales and dispositions of railcars of \$101 million. Through September 30, 2013, we invested \$71.6 million in the purchase of additional railcars, which is more than offset by proceeds from sales of railcars of \$87.6 million.

Financing Activities

We have a significant amount of committed short-term lines of credit available to finance working capital, primarily inventories, margin calls on commodity contracts and accounts receivable. We are party to a borrowing arrangement with a syndicate of banks that provides a total of \$878.1 million in borrowings, which includes \$28.1 million non-recourse debt of The Andersons Denison Ethanol LLC. Of that total, we had \$847.5 million remaining available for borrowing at September 30, 2013. Peak short-term borrowings to date were \$315.0 million on January 22, 2013. Typically, our highest borrowing occurs in the spring due to seasonal inventory requirements in our fertilizer and grain businesses.

We paid \$0.15 per common share for the dividends paid in January, April, July and October 2012, and \$0.16 per common share for the dividends paid in January, April and July 2013. On August 22, 2013, we declared a cash dividend of \$0.16 per common share payable on October 22, 2013 to shareholders of record on October 1, 2013. During the first nine months, we granted approximately 500 shares to directors under our equity-based compensation plans. During the first nine months of 2012, we granted approximately 166 thousand shares to employees and directors under our equity-based compensation plans.

Certain of our long-term borrowings include covenants that, among other things, impose minimum levels of equity and limitations on additional debt. We are in compliance with all such covenants as of September 30, 2013. In addition, certain of our long-term borrowings are collateralized by first mortgages on various facilities or are collateralized by railcar assets. Our non-recourse long-term debt is collateralized by railcar and ethanol plant assets. Because we are a significant consumer of short-term debt in peak seasons and the majority of this is variable rate debt, increases in interest rates could have a significant impact on our profitability. In addition, periods of high grain prices and/or unfavorable market conditions could require us to make additional margin deposits on our exchange traded futures contracts. Conversely, in periods of declining prices, we receive a return of cash.

We believe our sources of liquidity will be adequate to fund our operations, capital expenditures and payments of dividends through the next twelve months.

Off-Balance Sheet Transactions

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

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The following table describes our railcar and locomotive positions at September 30, 2013:

Method of Control	Financial Statement	Units
Owned-railcars available for sale	On balance sheet – current	29
Owned-railcar assets leased to others	On balance sheet – non-current	14,988
Railcars leased from financial intermediaries	Off balance sheet	3,919
Railcars – non-recourse arrangements	Off balance sheet	3,620
Total Railcars		22,556
Locomotive assets leased to others	On balance sheet – non-current	52
Locomotives leased from financial intermediaries	Off balance sheet	4
Locomotives – non-recourse arrangements	Off balance sheet	39
Total Locomotives		95

In addition, we manage 357 railcars for third-party customers or owners for which we receive a fee.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

For further information, refer to our Annual Report on Form 10-K for the year ended December 31, 2012. There were no material changes in market risk, specifically commodity and interest rate risk during the quarter ended September 30, 2013.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer ("Certifying Officers"), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report. As of December 31, 2012, we did not maintain adequate segregation of duties for multiple individuals who had access to create and post journal entries across substantially all of the Company. Specifically, our internal controls over journal entries were not designed effectively to provide reasonable assurance that the entries were appropriately recorded and reviewed for validity, accuracy and completeness for substantially all of the key accounts and disclosures. This control deficiency could result in a material misstatement of the consolidated financial statements that would not be prevented or detected on a timely basis. Accordingly, management determined that this control deficiency constituted a material weakness in internal control over financial reporting as of December 31, 2012, which was not fully remediated as of September 30, 2013.

Based on the foregoing, management concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2013.

Plan for Remediation of Material Weakness

Management is making progress towards remediation of the material weakness described above:

1. Implementing a sufficiently-designed control that is intended to ensure that all journal entries are reviewed by an appropriate person.
2. Evaluating and modifying, as necessary, the access of our existing users to post journal entries and the journal entry types that each user is authorized to utilize.
3. Enhancing information technology controls related to the future granting and on-going monitoring of our users' access to post journal entries.

As applicable legacy information technology systems are replaced with our implementation of SAP (expected to occur in phases over the next several years), we plan on utilizing capabilities within SAP that will restrict the ability for an individual to create and post an entry without review.

Management believes the foregoing efforts will effectively remediate the material weakness. As the Company continues to evaluate and work to improve its internal control over financial reporting, management may determine to take additional measures to address the control deficiency or determine to modify the remediation plan described above.

Changes in Internal Control over Financial Reporting

Other than the actions taken to continue remediation of the previously reported material weakness related to journal entries described above, there have been no changes in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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Part II. Other Information

Item 1. Legal Proceedings

We have received, and are cooperating fully with, a request for information from the United States Environmental Protection Agency (“U.S. EPA”) regarding the history of our grain and fertilizer facility along the Maumee River in Toledo, Ohio. The U.S. EPA is investigating the possible introduction into the Maumee River of hazardous materials potentially leaching from rouge piles deposited along the riverfront by glass manufacturing operations that existed in the area prior to our initial acquisition of the land in 1960. We have on several prior occasions cooperated with local, state and federal regulators to install or improve drainage systems to contain storm water runoff and sewer discharges along our riverfront property to minimize the potential for such leaching. Other area land owners and the successor to the original glass making operations have also been contacted by the U.S. EPA for information. No claim or finding has been asserted thus far.

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

Item 1A. Risk Factors

Our operations are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this Form 10-Q and could have a material adverse impact on our financial results. These risks can be impacted by factors beyond our control as well as by errors and omissions on our part. The significant factors known to us that could materially adversely affect our business, financial condition or operating results are described in the 2012 10-K (Item 1A).

Item 6. Exhibits

(a) Exhibits

No.	Description
12	Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of the Chairman and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)
31.2	Certification of the Chief Financial Officer under Rule 13(a)-14(a)/15d-14(a)
32.1	Certifications Pursuant to 18 U.S.C. Section 1350
101	Financial Statements from the interim report on Form 10-Q of The Andersons, Inc. for the period ended September 30, 2013, formatted in XBRL: (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Equity, (v) the Condensed Consolidated Statement of Cash Flows and (vi) the Notes to Condensed Consolidated Financial Statements.

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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: November 12, 2013

By /s/ Michael J. Anderson
Michael J. Anderson
Chairman and Chief Executive Officer (Principal
Executive Officer)

Date: November 12, 2013

By /s/ John Granato
John Granato
Chief Financial Officer (Principal Financial Officer)

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Exhibit Index

The Andersons, Inc.

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