ANDERSONS INC
Form 10-K
March 01, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012
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)

Registrant's telephone number, including area code (419) 893-5050
Securities registered pursuant to Section 12(b) of the Act: Common Shares
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No ý
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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	¨

Table of Contents

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

The aggregate market value of the registrant's voting stock which may be voted by persons other than affiliates of the registrant was $795.2 million as of June 30, 2012, computed by reference to the last sales price for such stock on that date as reported on the Nasdaq Global Select Market.

The registrant had approximately 18.7 million common shares outstanding, no par value, at February 7, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on May 10, 2013, are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Commission on or about March 13, 2013.

Table of Contents

THE ANDERSONS, INC.
Table of Contents

Table of Contents

Part I.

Item 1. Business

Company Overview

The Andersons, Inc. (the "Company) is a diversified company rooted in agriculture. Founded in Maumee, Ohio, in 1947, the Company conducts business across North America in the grain, ethanol, and plant nutrient sectors, railcar leasing, turf and cob products, and consumer retailing.

Segment Descriptions

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

Grain Group

The Grain business operates grain elevators in various states in the U.S. Corn Belt. Income is earned on grain bought and sold or “put thru” the elevator, grain that is purchased and conditioned for resale, and space income. Space income consists of appreciation or depreciation in the basis value of grain held and represents the difference between the cash price of a commodity in one of the Company's facilities and the nearest exchange traded futures price (“basis”); appreciation or depreciation between the future exchange contract months (“ spread”); and grain stored for others upon which storage fees are earned. The Grain business also offers a number of unique grain marketing, risk management and corn origination services to its customers and affiliated ethanol facilities for which it collects fees.

In 2008, the Company renewed the five-year lease agreement and the five-year marketing agreement (“the Agreement”) with Cargill, Incorporated (“Cargill”) for Cargill's Maumee and Toledo, Ohio grain handling and storage facilities. As part of the agreement, Cargill is given the marketing rights to grain in the Cargill-owned facilities as well as the adjacent Company-owned facilities in Maumee and Toledo. The lease of the Cargill-owned facilities covers approximately 6%, or 8.9 million bushels, of the Company's total storage space. Grain sales to Cargill totaled $346.8 million in 2012, and includes grain covered by the Agreement (i.e. grain sold out of the Maumee and Toledo facilities) as well as grain sold to Cargill via normal forward sales from locations not covered by the Agreement.

Grain prices are not predetermined, so sales are negotiated by the Company's merchandising staff. The principal grains sold by the Company are yellow corn, yellow soybeans and soft red and white wheat. Approximately 92% of the grain bushels sold by the Company in 2012 were purchased by U.S. grain processors and feeders, and approximately 8% were exported. Most of the Company's exported grain sales are done through intermediaries while some grain is shipped directly to foreign countries, mainly Canada. Most grain shipments from our facilities are by rail or boat. Rail shipments are made primarily to grain processors and feeders with some rail shipments made to exporters on the Gulf of Mexico or east coast. Boat shipments are from the Port of Toledo. In addition, grain is transported via truck for direct ship transactions where customers sell grain to the Company but have it delivered directly to the end user.

The Company's grain operations rely principally on forward purchase contracts with producers, dealers and commercial elevators to ensure an adequate supply of grain to the Company's facilities throughout the year. The Company makes grain purchases at prices referenced to the Chicago Mercantile Exchange (“the CME”). Bushels contracted for future delivery at January 31, 2013 approximated 191.3 million.

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

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

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

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

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

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

The Company owns 51% of the diluted equity in Lansing Trade Group LLC (“LTG”). LTG is largely focused on the movement of physical commodities, including grain and ethanol and is exposed to the some of the same risks as the Company's grain and ethanol businesses. LTG also trades in commodities that the Company's grain and ethanol businesses do not trade in, some of which are not exchange traded. This investment provides the Company with further opportunity to diversify and complement its income through activity outside of its traditional product and geographic regions. This investment is accounted for under the equity method. The Company periodically enters into transactions with LTG as disclosed in Note 8 of Item 8.

Sales of grain and related service and merchandising revenues totaled $3,293.6 million, $2,849.4 million and $1,936.8 million for the years ended December 31, 2012, 2011 and 2010. Bushels shipped by the Grain Group approximated 378 million bushels in 2012.
The Group continued to strategically grow the business during the year. In the third quarter, the Grain Group opened newly constructed 3.7 million bushel elevator in Anselmo, Nebraska that primarily handles corn and soybeans. In

addition, the Company completed the purchase of 7 grain facilities in Iowa and 5 grain facilities in Tennessee in early December. Total storage capacity of our Grain Group increased to 142 million bushels as of December 31, 2012.

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

Ethanol Group

The Ethanol Group has ownership interests in four Limited Liability Companies (“the ethanol LLCs” or “LLCs”). Each of the LLCs owns an ethanol plant that is operated by the Company's Ethanol Group. The plants are located in Iowa, Indiana, Michigan, and Ohio and have combined capacity of 330 million gallons of ethanol. The Group offers facility operations, risk management and marketing services to the LLCs it operates as well as third parties.

Table of Contents

The Company holds a majority interest (85%) in The Andersons Denison Ethanol LLC ("TADE"), which is a consolidated entity that was acquired on May 1, 2012. The Company holds a 50% interest in The Andersons Albion Ethanol LLC (“TAAE”) and a 38% interest in The Andersons Clymers Ethanol LLC (“TACE”). The Company holds a 50% interest in The Andersons Marathon Ethanol LLC (“TAME”) through its majority owned subsidiary The Andersons Ethanol Investment LLC (“TAEI”). A third party owns 34% of TAEI. All ethanol LLC investments, except TADE, are accounted for using the equity method of accounting.

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

Sales of ethanol, co-products and related merchandising and service fee revenues totaled $742.9 million, $641.5 million and $468.6 million in 2012, 2011 and 2010.

Plant Nutrient Group

The Plant Nutrient Group 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 Group provides warehousing, packaging and manufacturing services to basic nutrient manufacturers and other distributors.

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

Wholesale Nutrients - The Wholesale Nutrients business manufactures, stores, and distributes nearly 1.8 million tons of dry and liquid agricultural nutrients, and pelleted lime and gypsum products annually. The major nutrient products sold by the business principally contain nitrogen, phosphate, potassium and sulfur.

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

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

Storage capacity at our wholesale nutrient and farm center facilities was approximately 470,000 tons for dry nutrients and approximately 400,000 tons for liquid nutrients at December 31, 2012. Approximately 392,000 tons of storage capacity is reserved for basic manufacturers and customers use. The agreements for reserved space provide the Company storage and handling fees and are generally for one to three year terms, renewable at the end of each term. The Company also leases approximately 10,000 tons of liquid fertilizer capacity and 7,500 tons of dry fertilizers capacity under arrangements with other distributors, farm supply dealers and public warehouses where the Company does not have facilities. Sales and warehouse shipments of agricultural nutrients are heaviest in the spring and fall.

For the years ended December 31, 2012, 2011 and 2010, sales and service revenues in the wholesale business totaled $656.0 million, $577.2 million and $520.5 million, respectively. Sales of crop production inputs and service revenues in the farm center business totaled $141.0 million, $113.4 million and $98.8 million in 2012, 2011 and 2010, respectively.

Table of Contents

Rail Group

The Company's Rail Group repairs, sells and leases a fleet of over 23,000 railcars and locomotives of various types, as well as a small number of containers. There are twelve railcar repair facilities across the country. In addition, fleet management services are offered to private railcar owners. The Rail Group is also an investor in the short-line railroad, Iowa Northern Railway Company ("IANR").

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

A significant portion of the railcars and locomotives managed by the Company are included on the balance sheet as long-lived assets. The others are either in off-balance sheet operating leases (with the Company leasing railcars from financial intermediaries and leasing those same railcars to the end-users of the railcars) or non-recourse arrangements (where the Company is not subject to any lease arrangement related to the railcars, but provides management services to the owner of the railcars). The Company generally holds purchase options on most railcars owned by financial intermediaries. We are under contract to provide maintenance services for many of the railcars that we own or manage. Refer to the Off-Balance Sheet Transactions section of Management's Discussion and Analysis for a breakdown of our railcar and locomotive positions at December 31, 2012.

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

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

For the years ended December 31, 2012, 2011 and 2010, revenues were $156.4 million, $107.5 million and $94.8 million, respectively, which include lease revenues of $82.2 million, $70.8 million and $63.1 million, respectively.

Turf & Specialty Group

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

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

On October 30, 2012, the Company completed the purchase of substantially all of the assets of Mt. Pulaski Products, LLC. The operations consist of several corncob processing facilities in central Illinois. This acquisition doubled our raw cob supply and will enable us to enhance the service to our existing customers and expand our presence in the higher value segments of this business.

For the years ended December 31, 2012, 2011 and 2010, sales of corncob and related products totaled $22.5 million, $20.5 million and $19.6 million, respectively.

Turf Products - Proprietary professional turf care products are produced for the golf course and professional turf care markets, serving both U.S. and international customers. These products are sold both directly and through distributors to golf courses

Table of Contents

(under The Andersons Golf Products™ label) and lawn service applicators. The Company also produces and sells fertilizer and control products for "do-it-yourself" application, to mass merchandisers, small independent retailers and other lawn fertilizer manufacturers and performs contract manufacturing of fertilizer and control products.

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

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

For the years ended December 31, 2011, 2010 and 2009, sales of granular plant fertilizer and control products totaled $108.5 million, $109.2 million and $104.0 million, respectively.

Retail Group

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

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

For the years ended December 31, 2012, 2011 and 2010, sales of retail merchandise including commissions on third party sales totaled $151.0 million, $157.6 million and $150.6 million, respectively.

Employees

The Andersons offers a broad range of full-time and part-time career opportunities. Each position in the Company is important to our success, and we recognize the worth and dignity of every individual. We strive to treat each person with respect and utilize his or her unique talents. At December 31, 2012, the Company had 1,833 full-time and 1,278 part-time or seasonal employees. In addition, with the recent purchase of 12 grain facilities from Green Plains Grain Company, over 100 of its former employees officially became Anderson employees on January 1, 2013.

Government Regulation

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

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

Table of Contents

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

The Company, like other companies engaged in similar businesses, is subject to a multitude of federal, state and local environmental protection laws and regulations including, but not limited to, laws and regulations relating to air quality, water quality, pesticides and hazardous materials. The provisions of these various regulations could require modifications of certain of the Company's existing facilities and could restrict the expansion of future facilities or significantly increase the cost of their operations. The Company spent approximately $4.4 million, $1.7 million and $1.9 million in order to comply with these regulations in 2012, 2011, and 2010, respectively.

In addition, the Company has assessed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") signed into law on July 21, 2010 and has concluded that the Company is not a major swap dealer or major swap participant.

Available Information

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

Item 1A. Risk Factors

Our operations are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this Form 10-K and could have a material adverse impact on our financial results. These risks can be impacted by factors beyond our control as well as by errors and omissions on our part. The following risk factors should be read carefully in connection with evaluating our business and the forward-looking statements contained elsewhere in this Form 10-K.

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Grain and Ethanol businesses - In our Grain and Ethanol businesses, agricultural production and trade flows can be affected by government programs and legislation. Production levels, markets and prices of the grains we merchandise can be affected by U.S. government programs, which include acreage controls and price support programs administered by the USDA. Other examples of government policies that can have an impact on our business include tariffs, duties, subsidies, import and export restrictions and outright embargoes. Because a portion of our grain sales are to exporters, the imposition of export restrictions could limit our sales opportunities.

The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law on July 21, 2010 and stipulates requirements for companies to comply with swap dealer reporting rules for derivative activities. The SEC and the Commodity Futures Trading Commission ("CFTC") recently released final rules indicating what qualifies companies to be deemed "swap dealers" or "major swap participants" ("MSPs") under the Dodd-Frank Act. The SEC and the CFTC also recently released final rules defining the terms "swap," "security-based swap," and "mixed swap," an important step in finalizing the regulatory framework applicable to derivatives activities. Although management has concluded that the Company is not considered to be a swap dealer or major swap participant as currently defined, it is difficult to predict at this time what specific impact the Dodd-Frank Act and the yet to be written rules and regulations will have on our business. However, it is expected that at a minimum they will increase our operating and compliance costs.

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

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

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

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

We are exposed to the risk of a decrease in the value of our inventories due to a variety of circumstances in all of our businesses. For example, within our Grain and Ethanol businesses, there is the risk that the quality of our grain inventory could deteriorate due to damage, moisture, insects, disease or foreign material. If the quality of our grain were to deteriorate below an acceptable level, the value of our inventory could decrease significantly. In our Plant

Nutrient business, planted acreage, and consequently the volume of fertilizer and crop protection products applied, is partially dependent upon government programs and the perception held by the producer of demand for production. Technological advances in agriculture, such as genetically engineered seeds that resist disease and insects, or that meet certain nutritional requirements, could also affect the demand for our crop nutrients and crop protection products. Either of these factors could render some of our inventory obsolete or reduce its value. Within our Rail business, major design improvements to loading, unloading and transporting of certain products can render existing (especially old) equipment obsolete. A significant portion of our rail fleet is composed of older railcars. In addition, in our Turf & Specialty business, we build substantial amounts of inventory in advance of the season to prepare for customer demand. If we were to forecast our customer demand incorrectly, we could build up excess inventory which could cause the value of our inventory to decrease.

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

Table of Contents

If cash on hand is insufficient to pay our obligations or margin calls as they come due at a time when we are unable to draw on our credit facility, it could have an adverse effect on our ability to conduct our business. Our ability to make payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. Our ability to generate cash is dependent on various factors. These factors include general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Certain of our long-term borrowings include provisions that require minimum levels of working capital and equity, and impose limitations on additional debt. Our ability to satisfy these provisions can be affected by events beyond our control, such as the demand for and fluctuating price of grain. Although we are and have been in compliance with these provisions, noncompliance could result in default and acceleration of long-term debt payments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unauthorized disclosure of sensitive or confidential customer information could harm the Company's business and standing with our customers.
The protection of our customer, employee and Company data is critical to us. The Company relies on commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as payment card and personal information. Despite the security measures the Company has in place, its facilities and systems, and those of its third-party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by the Company or its vendors, could damage our reputation, expose us to risk of litigation and liability, disrupt our operations and harm our business.

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

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

Table of Contents

Item 2. Properties

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

Agriculture Facilities

		Agricultural Fertilizer	
(in thousands)	Grain Storage	Dry Storage	Liquid Storage
Location	(bushels)	(tons)	(tons)
Florida	—	3	22
Illinois	13,389	67	—
Indiana	25,989	146	132
Iowa	19,734	11	22
Michigan	17,571	54	29
Minnesota	—	—	56
Nebraska	10,918	—	—
Ohio	41,623	187	53
Puerto Rico	—	—	10
Tennessee	13,098	—	—
Wisconsin	—	2	76
	142,322	470	400

The grain facilities are mostly concrete and steel tanks, with some flat storage, which is primarily cover-on-first temporary storage. The Company also owns grain inspection buildings and dryers, maintenance buildings and truck scales and dumps. Approximately 87% of the total storage capacity is owned, while the remaining 13% of the total capacity is leased from third parties.

The Plant Nutrient Group's wholesale nutrient and farm center properties consist mainly of fertilizer warehouse and formulation and packaging facilities for dry and liquid fertilizers. The Company owns 98% of the dry and liquid storage facilities. The tanks located in Puerto Rico are leased.

Retail Store Properties

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

(1) Facility leased

The leases for the two stores and the distribution center are operating leases with several renewal options and provide for minimum aggregate annual lease payments approximating $1.7 million for 2012. The annual lease payments will decrease to $1.4 million in 2013 due to the announced closing of the Woodville Store in the first quarter of 2013. In addition, the Company owns a service and sales facility for outdoor power equipment adjacent to its Maumee, Ohio retail store.

Other Properties

The Company owns a 55 million gallon capacity ethanol facility in Denison, Iowa. The Company owns lawn fertilizer production facilities in Maumee, Ohio; Bowling Green, Ohio; and Montgomery, Alabama. It also owns a corncob processing

Table of Contents

and storage facility in Delphi, Indiana and two cob facilities located in Central Illinois. The Company leases a lawn fertilizer warehouse facility in Toledo, Ohio.

The Company also owns an auto service center that is leased to its former venture partner. The Company's administrative office building is leased under a net lease expiring in 2015. The Company owns approximately 1,810 acres of land on which the above properties and facilities are located and approximately 295 acres of farmland and land held for sale or future use.

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

Item 3. Legal Proceedings

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

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

Item 4. Mine Safety

Not applicable.

Table of Contents

Executive Officers of the Registrant

The information is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K. The executive officers of The Andersons, Inc., their positions and ages (as of March 1, 2013) are presented in the table below.

Name	Position	Age	Year Assumed
Dennis J. Addis	President, Grain Group President, Plant Nutrient Group	60	2012 2000
Daniel T. Anderson	President, Retail Group and Vice President, Corporate Operations Services President, Retail Group	57	2009 1996
Michael J. Anderson	Chairman and Chief Executive Officer	61	1999
Naran U. Burchinow	Vice President, General Counsel and Secretary	59	2005
Nicholas C. Conrad	Vice President, Finance and Treasurer Assistant Treasurer	60	2009 1996
Arthur D. DePompei	Vice President, Human Resources	59	2008
John Granato	Chief Financial Officer	47	2012
Neill McKinstray	President, Ethanol Group Vice President & General Manager, Ethanol Division	60	2012 2005
Harold M. Reed	Chief Operating Officer President, Grain & Ethanol Group	56	2012 2000
Anne G. Rex	Vice President, Corporate Controller Assistant Controller	48	2012 2002
Rasesh H. Shah	President, Rail Group	58	1999
Tamara S. Sparks	Vice President, Corporate Business /Financial Analysis Internal Audit Manager	44	2007 1999
Thomas L. Waggoner	President, Turf & Specialty Group	58	2005
William J. Wolf	President, Plant Nutrient Group Vice President of Supply & Merchandising, Plant Nutrient Group	55	2012 2008

Table of Contents

Part II.

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

The Common Shares of The Andersons, Inc. trade on the Nasdaq Global Select Market under the symbol “ANDE.” On February 7, 2013, the closing price for the Company's Common Shares was $46.73 per share. The following table sets forth the high and low bid prices for the Company's Common Shares for the four fiscal quarters in each of 2012 and 2011.

	2012		2011	
	High	Low	High	Low
Quarter Ended				
March 31	$48.99	$40.19	$51.23	$36.45
June 30	$51.50	$40.00	$50.17	$37.62
September 30	$43.89	$35.16	$43.99	$33.62
December 31	$44.75	$35.45	$45.75	$30.04

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

Shareholders

At February 7, 2013, there were approximately 18.5 million common shares outstanding, 636 shareholders of record and approximately 11,649 shareholders for whom security firms acted as nominees.

Dividends

The Company has declared and paid consecutive quarterly dividends since the end of 1996, its first year of trading on the Nasdaq market. Dividends paid from January 2011 to January 2013 are as follows:

Payment Date	Amount
1/24/2011	$0.1100
4/22/2011	$0.1100
7/22/2011	$0.1100
9/30/2011	$0.1100
1/24/2012	$0.1500
4/23/2012	$0.1500
7/23/2012	$0.1500
10/22/2012	$0.1500
1/23/2013	$0.1600

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

Equity Plans

The following table gives information as of December 31, 2012 about the Company's Common Shares that may be issued upon the exercise of options under all of its existing equity compensation plans.

Table of Contents

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	638,903 (1)	$36.03	637,019 (2)
Equity compensation plans not approved by security holders	—	—	—

(1) This number includes 315,083 Share Only Share Appreciation Rights ("SOSARs"), 204,179 performance share units and 119,641 restricted shares outstanding under The Andersons, Inc. 2005 Long-Term Performance Compensation Plan dated May 6, 2005. This number does not include any shares related to the Employee Share Purchase Plan. The Employee Share Purchase Plan allows employees to purchase common shares at the lower of the market value on the beginning or end of the calendar year through payroll withholdings. These purchases are completed as of December 31.

(2) This number includes 227,663 Common Shares available to be purchased under the Employee Share Purchase Plan.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In 1996, the Company's Board of Directors began approving the repurchase of shares of common stock for use in employee, officer and director stock purchase and stock compensation plans, which reached 2.8 million authorized shares in 2001. The Company purchased 2.1 million shares under this repurchase program. The original resolution was superseded by the Board in October 2007 with a resolution authorizing the repurchase of 1.0 million shares of common stock. Since the beginning of the current repurchase program, the Company has repurchased 0.2 million shares in the open market. There were no share repurchases in 2012.

Performance Graph

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

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

The graph assumes a $100 investment in The Andersons, Inc. Common Shares on December 31, 2007 and also assumes investments of $100 in each of the Nasdaq U.S. and Peer Group indices, respectively, on December 31 of the first year of the graph. The value of these investments as of the following calendar year-ends is shown in the table below the graph.

Table of Contents

	Base Period	Cumulative Returns				
	December 31, 2007	2008	2009	2010	2011	2012
The Andersons, Inc.	$100.00	$37.20	$59.16	$84.19	$102.29	$101.95
NASDAQ U.S.	100.00	60.02	87.25	103.09	102.27	120.40
Peer Group Index	100.00	75.99	88.93	101.81	98.76	125.63

Table of Contents

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial data of the Company. The data for each of the five years in the period ended December 31, 2012 are derived from the Consolidated Financial Statements of the Company. The data presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in Item 7, and the Consolidated Financial Statements and notes thereto included in Item 8.

(in thousands, except for per share and ratios and other data)	For the years ended December 31,				
	2012	2011	2010	2009	2008
Operating results					
Sales and merchandising revenues (a)	$5,272,010	$4,576,331	$3,393,791	$3,025,304	$3,489,478
Gross profit (b)	358,005	352,852	281,679	255,506	257,829
Equity in earnings of affiliates	16,487	41,450	26,007	17,463	4,033
Other income, net (c)	14,725	7,922	11,652	8,331	6,170
Net income	75,565	96,825	64,881	39,566	30,097
Net income attributable to The Andersons, Inc.	79,480	95,106	64,662	38,351	32,900
Financial position					
Total assets	2,182,304	1,734,123	1,699,390	1,284,391	1,308,773
Working capital	304,346	312,971	301,815	307,702	330,699
Long-term debt (d)	407,176	238,088	263,675	288,756	293,955
Long-term debt, non-recourse (d)	20,067	797	13,150	19,270	40,055
Total equity	611,445	538,842	464,559	406,276	365,107
Cash flows / liquidity					
Cash flows from (used in) operations	328,482	290,265	(239,285)	180,241	278,664
Depreciation and amortization	48,977	40,837	38,913	36,020	29,767
Cash invested in acquisitions (e)	(220,257)	(2,365)	(39,293)	(30,480)	(18,920)
Investment in affiliates	—	(121)	(395)	(1,200)	(41,450)
Investments in property, plant and equipment	(69,274)	(44,162)	(30,897)	(16,560)	(20,315)
Net (investment in) proceeds from railcars (f)	(20,397)	(33,763)	1,748	(16,512)	(29,533)
EBITDA (g)	195,180	212,252	162,702	116,989	110,372
Per share data (h)					
Net income - basic	4.27	5.13	3.51	2.10	1.82
Net income - diluted	4.23	5.09	3.48	2.08	1.79
Dividends paid	0.600	0.440	0.358	0.348	0.325
Year-end market value	42.90	43.66	36.35	25.82	16.48
Ratios and other data					
Net income attributable to The Andersons, Inc. return on beginning equity attributable to The Andersons, Inc.	15.2%	21.1%	16.4%	10.9%	9.6%
Funded long-term debt to equity ratio (i)	0.7-to-1	0.4-to-1	0.6-to-1	0.8-to-1	0.9-to-1
Weighted average shares outstanding (000's)	18,523	18,457	18,356	18,190	18,068
Effective tax rate	37.1%	34.5%	37.7%	35.7%	35.4%

(a) Includes sales of $1,359.4 million in 2012, $1,385.4 million in 2011, $928.2 million in 2010, $806.3 million in 2009 and $865.8 million in 2008 pursuant to marketing and originations agreements between the Company and the unconsolidated ethanol LLCs.
(b) Gross profit in 2012, 2011, 2009, and 2008 includes a $0.3 million, $3.1 million, $2.9 million, and $97.2 million write down in the Plant Nutrient Group for lower-of-cost-or-market inventory adjustments for inventory on hand and firm purchase commitments that were valued higher than the market.
(c) Includes $2.1 million, $1.7 million and $1.1 million of dividend income from IANR in 2012, 2011 and 2010, respectively. Includes $4.5 million and $2.2 million in Rail end of lease settlements in 2012 and 2010, respectively. Includes development fees related to ethanol joint venture formation of $1.3 million in 2008.
(d) Excludes current portion of long-term debt. The increase in non-recourse debt in 2012 is related to the debt held by TADE.

Table of Contents

(e) During 2012, the Company acquired assets of Green Plains Grain, TADE, Mt. Pulaski and 100% of the stock of New Eezy Gro.
(f) Represents the net of purchases of railcars offset by proceeds on sales of railcars.
(g) Earnings before interest, taxes, depreciation and amortization, or EBITDA, is a non-GAAP measure. It is one of the measures the Company uses to evaluate its liquidity. The Company believes that EBITDA provides additional information important to investors and others in determining the ability to meet debt service obligations. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations as determined by generally accepted accounting principles, and EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements, for debt service obligations or otherwise. Because EBITDA, as determined by the Company, excludes some, but not all, items that affect net income, it may not be comparable to EBITDA or similarly titled measures used by other companies.
(h) Earnings per share are calculated based on Income attributable to The Andersons, Inc.
(i) Calculated by dividing long-term debt by total year-end equity as stated under "Financial position."

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

(in thousands)	For the years ended December 31,				
	2012	2011	2010	2009	2008
Net income attributable to The Andersons, Inc.	$79,480	$95,106	$64,662	$38,351	$32,900
Add:					
Provision for income taxes	44,568	51,053	39,262	21,930	16,466
Interest expense	22,155	25,256	19,865	20,688	31,239
Depreciation and amortization	48,977	40,837	38,913	36,020	29,767
EBITDA	195,180	212,252	162,702	116,989	110,372
Add/(subtract):					
Provision for income taxes	(44,568)	(51,053)	(39,262)	(21,930)	(16,466)
Interest expense	(22,155)	(25,256)	(19,865)	(20,688)	(31,239)
Realized gains on railcars and related leases	(23,665)	(8,417)	(7,771)	(1,758)	(4,040)
Deferred income taxes	16,503	5,473	12,205	16,430	4,124
Excess tax benefit from share-based payment arrangement	(162)	(307)	(876)	(566)	(2,620)
Equity in earnings of unconsolidated affiliates, net of distributions received	8,134	(23,591)	(17,594)	(15,105)	19,307
Noncontrolling interest in income (loss) of affiliates	(3,915)	1,719	219	1,215	(2,803)
Changes in working capital and other	203,130	179,445	(329,043)	105,654	202,029
Net cash provided by (used in) operations	$328,482	$290,265	$(239,285)	$180,241	$278,664

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

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

The following “Management's Discussion and Analysis of Financial Condition and Results of Operations” contains forward-looking statements which relate to future events or future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by these forward-looking statements. You are urged to carefully consider these risks and factors, including those listed under Item 1A, “Risk Factors.” In some cases, you can identify forward-looking statements by terminology such as “may,” “anticipates,” “believes,” “estimates,” “predicts,” or the 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.

Executive Overview

Our operations are organized, managed and classified into six reportable business segments: Grain, Ethanol, Plant Nutrient, Rail, Turf & Specialty and Retail. Each of these segments is based on the nature of products and services offered.
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 Group

Our Grain Group 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.

This year has been significant for the Grain Group in terms of growth. On December 3, 2012 our Grain Group completed the purchase of a majority of the grain and agronomy locations of Green Plains Grain Company, a subsidiary of Green Plains Renewable Energy, Inc. The purchase includes seven facilities in Iowa and five in Tennessee, with a combined grain storage capacity of about 32 million bushels. Included in the acquisition was also 30,000 tons of fertilizer storage in Iowa.

During 2012, Grain increased its storage capacity by approximately 30% through construction of a grain shuttle loader facility in Anselmo, Nebraska and a business acquisition. The total storage capacity is approximately 142 million bushels as of December 31, 2012 compared to 109 million bushels at December 31, 2011. In addition, it is reasonably possible that within the next 12 months, the Company may make additional investments in the agriculture industry.

Grain inventories on hand at December 31, 2012 were 98 million bushels, of which 22.9 million bushels were stored for others. This compares to 77.5 million bushels on hand at December 31, 2011, of which 0.4 million bushels were stored for others.

With early planting and the anticipation of a record corn crop, 2012 started out with high expectations for U.S. growers. However, the drought conditions encountered during the growing season resulted in significantly decreased corn yields. For this reason, the drought had an unfavorable impact on space income for the Grain business for the fourth quarter of 2012 and will likely impact space income into the first half of 2013 as well. Looking ahead, planted corn acreage is anticipated to be as high as 100 million acres which should benefit our Grain and other agricultural businesses.

Table of Contents

Ethanol Group

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" or "TADE"). The 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.

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. The Company holds a majority interest of 85%. 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.

Ethanol volumes shipped for the year ended December 31, 2012 and 2011 were as follows:

(in thousdands)	Twelve months ended December 31,	
	2012	2011
Ethanol (gallons shipped)	275,788	241,919
E-85 (gallons shipped)	17,019	11,859
Corn Oil (pounds shipped)	59,012	12,482
DDG (tons shipped)	1,211	1,146

The ethanol LLCs incurred operating losses for the year as a result of poor margins resulting from weak gasoline demand, an oversupply of ethanol and high corn costs caused by the 2012 drought. Looking ahead, we anticipate the first three quarters of 2013 being tough for the Ethanol Group due to regional corn shortages. Although the market is not indicating positive margins until the latter half of 2013, there has been a recent improvement in margins. In addition, a record corn planting in the spring should have positive benefits for our Ethanol Group in the last three to four months of the year. Of course, this is dependent on numerous external factors, such as favorable weather during the growing season.

Plant Nutrient Group

Our Plant Nutrient Group 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.

The Company continues to identify opportunities to strategically grow the Plant Nutrient business. 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.

Storage capacity at our wholesale nutrient and farm center facilities was approximately 470,000 tons for dry nutrients and approximately 400,000 tons for liquid nutrients at December 31, 2012.

Fertilizer tons shipped (including sales and service tons) for the years ended December 31, 2012 and 2011 were 2.1 million tons and 1.8 million tons, respectively.

The Group had a strong fourth quarter due to the dry and warm fall weather which was ideal for fall nutrient application. Although margins were not as strong as in the prior year, volume was higher. Looking ahead, the reductions in 2012 crop volume and quality may cause continued rises in grain prices into 2013 and corn acres planted in 2013 are anticipated to be up to 100 million acres, which should support good nutrient demand moving into the next crop cycle.

Table of Contents

Rail Group

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 (boxcars, gondolas, covered and open top hoppers, tank cars and pressure differential cars) and locomotives.

Railcars and locomotives under management (owned, leased or managed for financial institutions in non-recourse arrangements) at December 31, 2012 were 23,278 compared to 22,675 at December 31, 2011. The average utilization rate (railcars and locomotives under management that are in lease service, exclusive of railcars managed for third party investors) is 84.6% for the year ended December 31, 2012 which is consistent with prior year.

For the year ended December 31, 2012, Rail had gains on sales of railcars and related leases in the amount of $23.7 million compared to $8.4 million of gains on sales of railcars and related leases for the year ended December 31, 2011.

Rail began the construction of a 27,300 square-foot railcar blast and paint facility in Maumee, Ohio, which should be completed in the spring of 2013.

Turf & Specialty Group

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.

On October 30, 2012, the Company completed the purchase of substantially all of the assets of Mt. Pulaski Products, LLC for $10.7 million. The operations consist of 2 corncob processing facilities in central Illinois. This acquisition doubled our raw cob supply and production capacity which will enable us to enhance the service to our existing customers and expand our presence in the higher value segments of this business.

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.
In the fourth quarter of 2012, the Group announced that it will be closing its Woodville, Ohio retail store in early 2013 (see Operating Results discussion for more information).

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 our ERP project.

In 2011, the Ohio Tax Credit Authority approved job retention tax credits and job creation tax credits for the Company in relation to in process capital projects. To earn these credits, the Company has committed to invest a minimum amount in new machinery and equipment and property renovations/improvements in the city of Maumee and surrounding areas. In addition to the capital investment, the Company will retain 636 and create a minimum of 20 full-time equivalent positions.

Table of Contents

Operating Results

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

	Year ended December 31,		
(in thousands)	2012	2011	2010
Sales and merchandising revenues	$5,272,010	$4,576,331	$3,393,791
Cost of sales and merchandising revenues	4,914,005	4,223,479	3,112,112
Gross profit	358,005	352,852	281,679
Operating, administrative and general expenses	246,929	229,090	195,330
Interest expense	22,155	25,256	19,865
Equity in earnings of affiliates	16,487	41,450	26,007
Other income, net	14,725	7,922	11,652
Income before income taxes	120,133	147,878	104,143
Income (loss) attributable to noncontrolling interests	(3,915)	1,719	219
Operating income	$124,048	$146,159	$103,924

Comparison of 2012 with 2011

Grain Group

	Year ended December 31,	
(in thousands)	2012	2011
Sales and merchandising revenues	$3,293,632	$2,849,358
Cost of sales and merchandising revenues	3,176,452	2,705,745
Gross profit	117,180	143,613
Operating, administrative and general expenses	73,037	69,258
Interest expense	12,174	13,277
Equity in earnings of affiliates	29,080	23,748
Other income, net	2,548	2,462
Operating income	$63,597	$87,288

Operating results for the Grain Group decreased $23.7 million compared to full year 2011 results. Sales and merchandising revenues increased $444.3 million over 2011 as a result of higher grain prices (corn and soybeans) and an increase in bushels shipped (soybeans and wheat). Cost of sales and merchandising revenues increased $470.7 million due to higher cost of grain as compared to prior year. Gross profit decreased $26.4 million primarily as a result of significantly lower space income, and more specifically lower basis appreciation. Basis is the difference between the cash price of a commodity in one of the Company's facilities and the nearest exchange traded futures price. The impact of the Green Plains Grain acquisition was not material to the Grain Group's results for 2012 given the timing of the transaction.

Operating expenses were $3.8 million higher than 2011. A large portion of the increase is higher labor and benefits related to organizational growth as well as acquisition costs incurred in the fourth quarter. Interest expense decreased $1.1 million due to fewer ownership bushels in beans and wheat at the end of 2012 versus 2011 upon which short-term interest is calculated. Equity in earnings of affiliates increased $5.3 million due to the strong performance of LTG. Other income did not fluctuate significantly from prior year.

Table of Contents

Ethanol Group

(in thousands)	Year ended December 31, 2012	2011
Sales and merchandising revenues	$742,929	$641,546
Cost of sales and merchandising revenues	728,256	626,524
Gross profit	14,673	15,022
Operating, administrative and general expenses	9,004	6,785
Interest expense	759	1,048
Equity in earnings (loss) of affiliates	(12,598)	17,715
Other income, net	53	159
Income (loss) before income taxes	(7,635)	25,063
Income (loss) attributable to noncontrolling interests	(3,915)	1,719
Operating income (loss)	$(3,720)	$23,344

Operating results for the Ethanol Group decreased $27.1 million from full year 2011 results to a loss of $3.7 million. Sales and merchandising and service fee revenues increased $101.4 million and is due to an increase in volume as a result of TADE, as the the average price per gallon of ethanol sold decreased significantly during the year. Corn oil sales also contributed to the significant increase over the prior year, as there were no corn oil sales for the Ethanol Group until 2012. The acquisition of TADE in the second quarter of 2012 added $85.6 million of ethanol sales, $25.7 million of DDG sales, $2.7 million of corn oil sales and $1.3 million of syrup sales. The increase in cost of sales primarily relates to an increase in volume as a result of the acquisition of TADE and to a lesser extent, corn costs. The decrease in gross profit is attributable to mark to market losses on certain hedges.

Operating expenses increased $2.2 million primarily due to higher labor and benefits and professional service fees related to growth. Equity in earnings of affiliates decreased $30.3 million from prior year and represents operating losses from the investment in three unconsolidated ethanol LLCs. Throughout the year, the LLCs were impacted by lower ethanol margins resulting from the increased corn costs and lower demand for ethanol. There were no significant changes in interest expense or other income.

Plant Nutrient Group

(in thousands)	Year ended December 31, 2012	2011
Sales and merchandising revenues	$797,033	$690,631
Cost of sales and merchandising revenues	698,781	593,437
Gross profit	98,252	97,194
Operating, administrative and general expenses	58,088	56,101
Interest expense	2,832	3,517
Equity in earnings (loss) of affiliates	5	(13)
Other income, net	1,917	704
Operating income	$39,254	$38,267

Operating results for the Plant Nutrient Group increased $1.0 million over its 2011 results. Sales were $106.4 million higher due to a 12.7% increase in tons sold and a 2.4% increase in the average price per ton sold for the year. Cost of sales and merchandising revenues increased $105.3 million due primarily to higher product cost. Gross profit increased $1.1 million over prior year as a result of the increase in volume partially offset by a decline in margins compared to prior year.

Operating expenses increased $2.0 million and is due to an increase in labor, benefits and other expenses related to the acquisition of New Eezy Gro, Inc. in the first quarter of 2012. Interest expense was $0.7 million lower in the current year due to lower levels of working capital in use as well as lower interest rates. Other income is higher in 2012 compared to 2011 due to gains recognized on involuntary asset conversions.

Table of Contents

Rail Group

	Year ended December 31,	
(in thousands)	2012	2011
Sales and merchandising revenues	$156,426	$107,459
Cost of sales and merchandising revenues	99,697	82,709
Gross profit	56,729	24,750
Operating, administrative and general expenses	16,217	12,161
Interest expense	4,807	5,677
Other income, net	7,136	2,866
Operating income	$42,841	$9,778

Operating results for the Rail Group increased $33.1 million over 2011. Revenues related to car sales increased $30.4 million, repairs and fabrication increased $7.2 million and leasing revenues increased $11.4 million. The increase in revenues is attributable to having more cars in service, higher volume of transactions, and favorable lease rates. Cost of sales and merchandising revenues increased $17.0 million as a result of higher volume of car sales. Rail gross profit increased $32.0 million compared to prior year primarily due to higher gross profit on car sales from increase in volume of transactions and in the leasing business which is attributed to favorable lease rates and decreased lease expense driven by a lower average number of cars in leases compared to the same period last year.

Operating expenses increased by $4.1 million from prior year mainly due to higher labor and benefits related to growth and higher performance incentives. Interest expense decreased $0.9 million due to repayment of rail financing debt in the fourth quarter of 2011. Other income was higher in 2012 due to settlements received from customers for railcars returned at the end of a lease that were not in the required operating condition, as well as higher dividend income from the short-line investment.

Turf & Specialty Group

	Year ended December 31,	
(in thousands)	2012	2011
Sales and merchandising revenues	$131,026	$129,716
Cost of sales and merchandising revenues	104,000	103,481
Gross profit	27,026	26,235
Operating, administrative and general expenses	24,361	23,734
Interest expense	1,233	1,381
Other income, net	784	880
Operating income	$2,216	$2,000

Operating results for the Turf & Specialty Group increased $0.2 million compared to its 2011 results. Sales increased $1.3 million and is due to an increase in sales within the cob business year over year, $1.0 million of which is attributable to the acquisition of Mt. Pulaski in the fourth quarter of 2012. For the total Group, the average price per ton sold increased approximately 3.2% and was partially offset by a 2.1% decline in volume. Cost of sales and merchandising revenues increased $0.5 million due to an increase in the average cost per ton due to higher cost of materials purchased. Gross profit increased $0.8 million due to higher margins from price increases.

Operating expenses increased $0.6 million over the prior year due to costs related to the new cob location acquired in the fourth quarter, severance charges incurred in the third quarter as well as a variety of other variable expenses including a workers compensation medical claim, depreciation and maintenance expenses. There were no significant fluctuations in interest expense or other income.

Table of Contents

Retail Group

	Year ended December 31,	
(in thousands)	2012	2011
Sales and merchandising revenues	$150,964	$157,621
Cost of sales and merchandising revenues	106,819	111,583
Gross profit	44,145	46,038
Operating, administrative and general expenses	47,874	47,297
Interest expense	776	899
Other income, net	554	638
Operating loss	$(3,951)	$(1,520)

The operating loss for the Retail Group increased $2.4 million compared to its 2011 results. Sales decreased $6.7 million from 2011 due to a decline in both the average sale per customer and customer count. Cost of sales decreased $4.8 million due to lower sales volume. As a result, gross profit decreased $1.9 million.

Operating expenses for the Group increased $0.6 million and is attributable to $1.1 million of severance costs which have been accrued in relation to the announcement to close the Group's Woodville, Ohio retail store in the first quarter of 2013. There were no significant changes in interest expense or other income.

Other

	Year ended December 31,	
(in thousands)	2012	2011
Sales and merchandising revenues	$—	$—
Cost of sales and merchandising revenues	—	—
Gross profit	—	—
Operating, administrative and general expenses	18,348	13,754
Interest expense	(426)	(543)
Equity in earnings of affiliates	—	—
Other income, net	1,733	213
Operating loss	$(16,189)	$(12,998)

The Corporate operating loss (costs not allocated back to the business units) increased $3.2 million over 2011 and relates primarily to an increase in labor and benefits and professional services related to implementation of an enterprise resource planning system.

As a result of the operating performances noted above, income attributable to The Andersons, Inc. of $79.5 million for 2012 was 16% lower than the income attributable to The Andersons, Inc. of $95.1 million in 2011. Income tax expense of $44.6 million was provided at 37.1%. In 2011, income tax expense of $51.1 million was provided at 34.5%. The increase in the effective tax rate was due primarily to lower benefits related to domestic production activities and the 2012 loss and the 2011 income attributable to the noncontrolling interests that did not impact income tax expense.

Table of Contents

Comparison of 2011 with 2010

Grain Group

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

Operating results for the Grain Group increased $22.9 million over 2010. Sales and merchandising revenues increased $912.5 million over 2010, primarily as a result of higher grain prices and the acquisition of B4 Grain, Inc. in December 2010 which accounts for $220.3 million of the increase. Cost of sales and merchandising revenues increased $872.6 million over 2010 and is consistent with the increase in revenues. Gross profit increased $39.9 million primarily as a result of substantial wheat basis appreciation and spread gains. Basis is the difference between the cash price of a commodity in one of the Company's facilities and the nearest exchange traded futures price. Basis income was higher than 2010 by $43.1 million primarily due to wheat. The increase due to spread gains was $9.3 million higher in the current year. The increase was offset by a $10.4 million decrease in storage income as a result of having fewer bushels of wheat on delivery as compared to 2010.

Operating expenses increased by $18.4 million over 2010. A large portion of the increase is higher labor and benefits expenses due to necessary expansion of human resources as a result of business growth. Specifically, $1.8 million of the labor and benefits increase related to the acquisition noted above. Performance incentives expense was also up year-over-year due to strong financial performance. Interest expense increased $6.6 million due to a greater need to cover margin deposits which were a result of higher grain prices in the first half of 2011, as well as more wheat bushels on delivery at the end of 2011 versus 2010 upon which short-term interest is calculated. Equity in earnings of affiliates increased $8.1 million over 2010. Income from the Group's investment in LTG increased $8.4 million due primarily to strong results in the core grain and point to point merchandising businesses. Other income did not fluctuate significantly from prior year.

Ethanol Group

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

Operating income	$23,344	$17,013

Operating results for the Ethanol Group increased $6.3 million over 2010. Sales and merchandising revenues increased $172.9 million and is the result of a 41% increase in the average price per gallon of ethanol sold, as volume was relatively unchanged year over year. Cost of sales and merchandising revenues increased $172.7 million and is consistent with the increase in revenues. Gross profit increased $0.2 million due to an increase in services provided to the ethanol industry.

Table of Contents

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

Plant Nutrient Group

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

Operating results for the Plant Nutrient Group increased $8.2 million over its 2010 results. Sales were $71.3 million higher due to a 30.8% increase in average price per ton sold for the year offset by a 14.7% decrease in volume. Volume was below last year due to extremely wet weather conditions throughout the spring and fall of 2011 which reduced the ability to apply nutrients during this time and a strong fourth quarter of 2010 where significant tonnage was sold and applied earlier than most years. Cost of sales increased $53.6 million over 2010 due to an increase in the price of key nutrients. Gross profit increased $17.7 million over prior year as a result of the impact of price escalation experienced the majority of the year, offset by a $3.1 million lower-of-cost-or-market inventory adjustment taken in the fourth quarter of 2011.

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

Rail Group

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

Operating results for the Rail Group increased $9.7 million over 2010. Revenues related to car sales, repairs and fabrication increased $4.9 million and leasing revenues increased $7.7 million for a total increase in sales and merchandising revenues of $12.6 million. Cost of sales increased $1.3 million, primarily as a result of higher volume of car sales. Gross profit for Rail increased $11.4 million in total and includes gains on sales of railcars and related leases of $8.4 million. Gross profit from the leasing business was $4.0 higher than the prior year due to higher utilization and average lease rates.

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

Table of Contents

Turf & Specialty Group

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

Operating results for the Turf & Specialty Group decreased $1.4 million from its 2010 results. Sales increased $6.2 million. Sales in the lawn fertilizer business increased $5.2 million due to a 5% increase in the average price per ton sold. Sales in the cob business increased $1.0 million as the average price per ton sold was up nearly 7%. Cost of sales increased $6.9 million from prior year due to higher raw material costs. Gross profit decreased $0.7 million primarily due to a 7.8% increase in the average cost per ton due to higher raw material costs.

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

Retail Group

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

Operating results for the Retail Group improved $1.0 million over its 2010 results. Sales increased $7.0 million over 2010. While the average sale per customer increased by 6.5%, customer counts decreased by almost 2%. Cost of sales increased $4.3 million and gross profit increased $2.7 million due to the increased sales as well as a slight increase in gross margin percentage.

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

Other

	Year ended December 31,	
(in thousands)	2011	2010
Sales and merchandising revenues	$—	$—
Cost of sales and merchandising revenues	—	—
Gross profit	—	—
Operating, administrative and general expenses	13,754	9,639
Interest expense	(543)	78

Equity in earnings of affiliates	—	—
Other income, net	213	1,176
Operating loss	$(12,998)	$(8,541)

30

Table of Contents

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

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

Liquidity and Capital Resources

Working Capital

At December 31, 2012, the Company had working capital of $304.3 million, a decrease of $8.6 million from the prior year. This decrease was attributable to changes in the following components of current assets and current liabilities:

(in thousands)	December 31, 2012	December 31, 2011	Variance
Current Assets:			
Cash and cash equivalents	$138,218	$20,390	$117,828
Restricted cash	398	18,651	(18,253)
Accounts receivables, net	208,877	167,640	41,237
Inventories	776,677	760,459	16,218
Commodity derivative assets – current	103,105	83,950	19,155
Deferred income taxes	15,862	21,483	(5,621)
Other current assets	54,016	34,649	19,367
Total current assets	1,297,153	1,107,222	189,931
Current Liabilities:			
Borrowing under short-term line of credit	24,219	71,500	(47,281)
Accounts payable for grain	584,171	391,905	192,266
Other accounts payable	169,867	142,762	27,105
Customer prepayments and deferred revenue	99,164	79,557	19,607
Commodity derivative liabilities – current	33,277	15,874	17,403
Accrued expenses and other current liabilities	66,964	60,445	6,519
Current maturities of long-term debt	15,145	32,208	(17,063)
Total current liabilities	992,807	794,251	198,556
Working capital	$304,346	$312,971	$(8,625)

In comparison to the prior year, accounts receivable increased largely due to an increase in grain trade receivables, which fluctuate with the timing of sales along with variations in the prices of commodities which are consistent with the increase in sales and merchandising revenues for 2012. While grain inventory levels are relatively flat year over year due to the 2012 drought, commodity prices were higher during the year compared to 2011 and caused an overall increase for our Grain business. Ethanol inventories were significantly higher due to the acquisition of TADE in the second quarter of 2012. These increases were partially offset by a decrease in inventories of the Plant Nutrient businesses caused by lower levels of inventory and a decrease in the average cost. Restricted cash decreased as a result of reimbursement of spending related to an industrial development revenue bond. See the discussion below on sources and uses of cash for an understanding of the change in cash from prior year. Commodity derivatives have also increased due to a rise in grain prices. Other current assets have increased primarily due to an increase in railcars available for sale and higher prepaid income tax. Current liabilities increased primarily as a result of an increase in grain and other accounts payable. The increase in grain payables is partly attributed to higher hold pay for corn (grain we have purchased but not yet paid for), but this account also tends to fluctuate with the timing of grain receipts along with variations in the prices of grain. The increase in other accounts payable is consistent with the increase in cost of sales and merchandising revenues. Customer prepayments and deferred revenues increased primarily as a result of the movement of a liability to Cargill for the marketing agreement due to be settled in 2013. Commodity derivative liabilities also increased due to rising commodity prices. These increases were partially offset by lower borrowings on our short-term line of credit and a decrease in current maturities of long-term debt (see Note 10 for more information).

Sources and Uses of Cash

Operating Activities and Liquidity

Our operating activities provided cash of $328.5 million in 2012 compared to cash provided by operations of $290.3 million in 2011. The significant amount of operating cash flows in 2012 relates primarily to the changes in working capital (before short-term borrowings) discussed above along with strong earnings. There was also a $31.7 million change in cash distributions in excess of income of unconsolidated affiliates due to current year losses in our ethanol affiliates.

In 2012, the Company paid income taxes of $36.3 million compared to $48.9 million in 2011. The Company makes quarterly estimated tax payments based on year to date annualized taxable income. The decrease in income taxes paid in 2012 from 2011 is primarily due to the decrease in pre-tax book income.

Investing Activities

Investing activities used $290.6 million compared to $86 million used in 2011. There have been significant additions to property, plant and equipment in 2012 primarily related to business acquisitions, construction of a grain storage and load-out facility and the phased implementation of an enterprise resource planning system. In the third quarter, our Grain Group completed construction of a grain load-out facility in Anselmo, Nebraska. Correspondingly, restrictions related to a substantial majority of cash received related to industrial revenue bonds for the project were released. In total, we spent $220.3 million on business acquisitions (net of cash acquired) in 2012. Another large portion of the spending relates to purchases of railcars in the amount of $111.2 million. Purchases of railcars were partially offset by proceeds from the sale of railcars in the amount of $90.8 million. Capital spending for 2012 on property, plant and equipment includes: Grain - $30.2 million; Ethanol - $2.0 million; Plant Nutrient - $18.0 million; Rail - $3.9 million; Turf & Specialty - $5.0 million; Retail - $2.8 million and $7.1 million in corporate / enterprise resource planning project purchases.

We expect to spend approximately $90 million in 2013 on conventional property, plant and equipment which includes estimated 2013 capital spending for the project to replace current technology with an enterprise resource planning system. An additional $149 million is estimated to be spent on the purchase and capitalized modifications of railcars with related sales or financings of $121 million.

Financing Arrangements

Net cash provided by financing activities was $79.9 million in 2012, compared to $213.1 million cash used in financing activities in 2011. The increase was primarily driven by higher proceeds from issuance of long-term debt offset partially by payments of long-term debt during the year. We were able to obtain long-term fixed interest rate loans secured by various grain facilities to raise funds for the significant investing activities transacted in the second half of the year.

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 $788.6 million remaining available for borrowing at December 31, 2012. Peak short-term borrowings to date were $553.4 million on July 23, 2012. Typically, the Company's highest borrowing occurs in the spring due to seasonal inventory requirements in the fertilizer and retail businesses.

We paid $11.2 million in dividends in 2012 compared to $8.2 million in 2011. We paid $0.1100 per common share for the dividends paid in January, April, July and September 2011, and $0.15 per common share for the dividends paid in January, April, July and October 2012. We increased the dividends paid in January 2013 to $0.16 per common share.

Proceeds from the sale of treasury shares to employees and directors were $1.3 million and $0.8 million for 2012 and 2011, respectively. During 2012, we issued approximately 166,000 shares to employees and directors under our equity-based compensation plans.

Table of Contents

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 December 31, 2012. In addition, certain of our long-term borrowings are collateralized by first mortgages on various facilities or are collateralized by railcar assets.

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

Contractual Obligations

Future payments due under contractual obligations at December 31, 2012 are as follows:

	Payments Due by Period				
Contractual Obligations (in thousands)	Less than 1 year	1-3 years	3-5 years	After 5 years	Total
Long-term debt (a)	$12,649	$144,754	$69,388	$193,034	$419,825
Long-term debt non-recourse (a)	2,496	6,814	3,875	9,378	22,563
Interest obligations (b)	17,229	33,748	22,107	39,780	112,864
Uncertain tax positions	7	512	113	—	632
Operating leases (c)	17,103	26,338	15,708	8,200	67,349
Purchase commitments (d)	1,389,621	88,408	29	—	1,478,058
Other long-term liabilities (e)	4,240	2,687	2,944	8,443	18,314
Total contractual cash obligations	$1,443,345	$303,261	$114,164	$258,835	$2,119,605

(a) The Company is subject to various loan covenants. Although the Company is in compliance with its covenants, noncompliance could result in default and acceleration of long-term debt payments. The Company does not anticipate noncompliance with its covenants.
(b) Future interest obligations are calculated based on interest rates in effect as of December 31, 2012 for the Company's variable rate debt and do not include any assumptions on expected borrowings, if any, under the short-term line of credit.
(c) Approximately 76% of the operating lease commitments above relate to railcars and locomotives that the Company leases from financial intermediaries. See "Off-Balance Sheet Transactions" below.
(d) Includes the amounts related to purchase obligations in the Company's operating units, including $1,329 million for the purchase of grain from producers and $91 million for the purchase of ethanol from the ethanol joint ventures. There are also forward grain and ethanol sales contracts to consumers and traders and the net of these forward contracts are offset by exchange-traded futures and options contracts or over-the-counter contracts. See the narrative description of businesses for the Grain and Ethanol Groups in Item 1 of this Annual Report on Form 10-K for further discussion.
(e) Other long-term liabilities include estimated obligations under our retiree healthcare programs and the estimated 2013 contribution to our defined benefit pension plan. Obligations under the retiree healthcare programs are not fixed commitments and will vary depending on various factors, including the level of participant utilization and inflation. Our estimates of postretirement payments through 2017 have considered recent payment trends and actuarial assumptions. We have not estimated pension contributions beyond 2013 due to the significant impact that return on plan assets and changes in discount rates might have on such amounts.

The Company had standby letters of credit outstanding of $30.1 million at December 31, 2012 as well as $0.8 million that was outstanding on a non-recourse basis.

Off-Balance Sheet Transactions

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

Table of Contents

services for the financial intermediary, and receives a fee for such services. On most of the railcars and locomotives, the Company holds an option to purchase these assets at the end of the lease.

The following table describes the Company's railcar and locomotive positions at December 31, 2012.

Method of Control	Financial Statement	Units
Owned-railcars available for sale	On balance sheet – current	294
Owned-railcar assets leased to others	On balance sheet – non-current	15,589
Railcars leased from financial intermediaries	Off balance sheet	4,319
Railcars – non-recourse arrangements	Off balance sheet	2,954
Total Railcars		23,156
Owned-containers leased to others	On balance sheet – non-current	637
Total Containers		637
Locomotive assets leased to others	On balance sheet – non-current	42
Locomotives leased from financial intermediaries	Off balance sheet	4
Locomotives – non-recourse arrangements	Off balance sheet	76
Total Locomotives		122

In addition, the Company manages approximately 356 railcars for third-party customers or owners for which it receives a fee.

The Company has future lease payment commitments aggregating $52.5 million for the railcars leased by the Company from financial intermediaries under various operating leases. Remaining lease terms vary with none exceeding fifteen years. The Company utilizes non-recourse arrangements where possible in order to minimize its credit risk. Refer to Note 11 to the Company's Consolidated Financial Statements in Item 8 for more information on the Company's leasing activities.

Critical Accounting Estimates

The process of preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Management evaluates these estimates and assumptions on an ongoing basis. Estimates and assumptions are based on historical experience and management's knowledge and understanding of current facts and circumstances. Actual results, under conditions and circumstances different from those assumed, may change from estimates.

Certain of our accounting estimates are considered critical, as they are important to the depiction of the Company's financial statements and / or require significant or complex judgment by management. There are other items within our financial statements that require estimation, however, they are not deemed critical as defined above. Note 1 to the Consolidated Financial Statements in Item 8 describes our significant accounting policies which should be read in conjunction with our critical accounting estimates.

Management believes that accounting for fair value adjustment for counterparty risk, grain inventories and commodity derivative contracts, lower-of-cost-or-market inventory adjustments and impairment of long-lived assets and equity method investments involve significant estimates and assumptions in the preparation of the Consolidated Financial Statements.

Grain Inventories and Commodity Derivative Contracts

The Company marks to market all grain inventory, forward purchase and sale contracts for grain and ethanol, over-the-counter grain and ethanol contracts, and exchange-traded futures and options contracts. The overall market for grain inventories is very liquid and active; market value is determined by reference to prices for identical commodities on the CME (adjusted primarily for transportation costs); and the Company's grain inventories may be sold without significant additional processing. The Company uses forward purchase and sale contracts and both exchange traded and over-the-counter contracts (such as derivatives generally used by the International Swap Dealers Association). Management estimates fair value based on exchange-quoted prices, adjusted for differences in local markets, as well as counter-party non-performance risk in the case of forward and over-the-counter contracts. The amount of risk, and therefore the impact to the fair value of the contracts, varies by type of contract and type of counter-party. With the exception of specific customers thought to be at higher risk, the Company looks at the contracts in total, segregated by contract type, in its quarterly assessment of non-performance risk. For

Table of Contents

those customers that are thought to be at higher risk, the Company makes assumptions as to performance based on past history and facts about the current situation. Changes in fair value are recorded as a component of sales and merchandising revenues in the statement of income.

Lower-of-Cost-or-Market Inventory Adjustments

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

Impairment of Long-Lived Assets and Equity Method Investments

The Company's business segments are each highly capital intensive and require significant investment in facilities and / or railcars. Fixed assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. This is done by evaluating the recoverability based on undiscounted projected cash flows, excluding interest. If an asset group is considered impaired, the impairment loss to be recognized is measured as the amount by which the asset group's carrying amount exceeds its fair value.

We also annually review the balance of goodwill for impairment in the fourth quarter. Historically, these reviews for impairment have taken into account our quantitative estimates of future cash flows. Our estimates of future cash flows are based upon a number of assumptions including lease rates, lease terms, operating costs, life of the assets, potential disposition proceeds, budgets and long-range plans. The majority of our goodwill is in the Grain and Plant Nutrient businesses. Based on the strength of performance in both of these groups, a qualitative goodwill impairment assessment was performed in the current year versus the traditional quantitative assessment. Key factors considered in the qualitative assessment included, but were not limited to industry and market specific factors, the competitive environment, comparison of the prior-year actual results relative to budgeted performance, current financial performance, and managements forecast for future financial performance. These factors are discussed in more detail in Note 12, Goodwill and Intangible Assets.

In addition, the Company holds investments in limited liability companies that are accounted for using the equity method of accounting. The Company reviews its investments to determine whether there has been a decline in the estimated fair value of the investment that is below the Company's carrying value which is other than temporary. Other than consideration of past and current performance, these reviews take into account forecasted earnings which are based on management's estimates of future performance.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

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

Commodity Prices

The Company's daily net commodity position consists of inventories, related purchase and sale contracts and exchange-traded futures and over-the-counter contracts. The fair value of the position is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures market prices. The Company has established controls to manage risk exposure, which consists of daily review of position limits and effects of potential market prices moves on those positions.

A sensitivity analysis has been prepared to estimate the Company's exposure to market risk of its commodity position. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in quoted market prices. The result of this analysis, which may differ from actual results, is as follows:

	December 31,	
(in thousands)	2012	2011
Net commodity position	$2,941	$5,984
Market risk	294	598

Table of Contents

Interest Rates

The fair value of the Company's long-term debt is estimated using quoted market prices or discounted future cash flows based on the Company's current incremental borrowing rates and credit ratings for similar types of borrowing arrangements. Market risk, which is estimated as the potential increase in fair value resulting from a hypothetical one-half percent decrease in interest rates, is summarized below:

	December 31,	
(in thousands)	2012	2011
Fair value of long-term debt	$459,433	$279,001
Fair value in excess of carrying value	17,046	7,908
Market risk	7,447	3,454

Actual results may differ. The estimated fair value and market risk will vary from year to year depending on the total amount of long-term debt and the mix of variable and fixed rate debt.

Item 8. Financial Statements and Supplementary Data

The Andersons, Inc.
Index to Financial Statements

Table of Contents

Report of Independent Registered Public Accounting Firm

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

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of The Andersons, Inc. and its subsidiaries at December 31, 2012 and December 31, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to inadequate segregation of duties for multiple individuals who had access to create and post journal entries across substantially all of the Company existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in the accompanying Management's Report on Internal Control Over Financial Reporting appearing on page 112. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the December 31, 2012 consolidated financial statements and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We did not audit the consolidated financial statements of Lansing Trade Group, LLC, an entity in which The Andersons, Inc. accounts for under the equity method of accounting and has an investment in of $92.1 million and $81.2 million as of December 31, 2012 and 2011, respectively, and for which The Andersons, Inc. recorded $28.6 million, $23.6 million, and $15.1 million of equity in earnings of affiliates for each of the three years, respectively, in the period ended December 31, 2012. The financial statements of Lansing Trade Group, LLC were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements expressed herein, insofar as it relates to the amounts included for Lansing Trade Group, LLC, is based solely on the report of the other auditors. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

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

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

Table of Contents

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded twelve grain and agronomy locations from its assessment of internal control over financial reporting as of December 31, 2012 because these assets were acquired by the Company in a purchase business combination in the fourth quarter of 2012. We have also excluded the twelve grain and agronomy locations from our audit of internal control over financial reporting. These twelve grain and agronomy locations are wholly owned, and their total assets and total revenues represent 10.5% and 0.8%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2012.

/s/ PricewaterhouseCoopers LLP
Toledo, Ohio
March 1, 2013

Table of Contents

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

	Year ended December 31,		
	2012	2011	2010
Sales and merchandising revenues	$5,272,010	$4,576,331	$3,393,791
Cost of sales and merchandising revenues	4,914,005	4,223,479	3,112,112
Gross profit	358,005	352,852	281,679
Operating, administrative and general expenses	246,929	229,090	195,330
Interest expense	22,155	25,256	19,865
Other income:			
Equity in earnings of affiliates, net	16,487	41,450	26,007
Other income, net	14,725	7,922	11,652
Income before income taxes	120,133	147,878	104,143
Income tax provision	44,568	51,053	39,262
Net income	75,565	96,825	64,881
Net income (loss) attributable to the noncontrolling interests	(3,915)	1,719	219
Net income attributable to The Andersons, Inc.	$79,480	$95,106	$64,662
Per common share:			
Basic earnings attributable to The Andersons, Inc. common shareholders	$4.27	$5.13	$3.51
Diluted earnings attributable to The Andersons, Inc. common shareholders	$4.23	$5.09	$3.48
Dividends paid	$0.6000	$0.4400	$0.3575

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

Table of Contents

The Andersons, Inc.
Consolidated Statements of Comprehensive Income
(In thousands)

	Year ended December 31,		
	2012	2011	2010
Net income	$75,565	$96,825	$64,881
Other comprehensive income (loss), net of tax:			
Increase (decrease) in estimated fair value of investment in debt securities (net of income tax of ($1,162), $1,710 and $1,004)	(1,978)	2,860	1,685
Change in unrecognized actuarial loss and prior service cost (net of income tax of $699, $10,293 and $3,116)	(563)	(17,120)	(4,992)
Cash flow hedge activity (net of income tax of ($66), $21, and $112)	252	(31)	(178)
Other comprehensive loss	(2,289)	(14,291)	(3,485)
Comprehensive income	73,276	82,534	61,396
Comprehensive income (loss) attributable to the noncontrolling interests	(3,915)	1,719	219
Comprehensive income attributable to The Andersons, Inc.	$77,191	$80,815	$61,177

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

Table of Contents

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

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$138,218	$20,390
Restricted cash	398	18,651
Accounts receivable, less allowance for doubtful accounts of $4,883 in 2012; $4,799 in 2011	208,877	167,640
Inventories (Note 2)	776,677	760,459
Commodity derivative assets – current	103,105	83,950
Deferred income taxes	15,862	21,483
Other current assets	54,016	34,649
Total current assets	1,297,153	1,107,222
Other assets:		
Commodity derivative assets – noncurrent	1,906	2,289
Other assets, net	105,129	53,327
Equity method investments	190,908	199,061
	297,943	254,677
Railcar assets leased to others, net (Note 3)	228,330	197,137
Property, plant and equipment, net (Note 3)	358,878	175,087
Total assets	$2,182,304	$1,734,123

Table of Contents

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

	December 31, 2012	December 31, 2011
Liabilities and equity		
Current liabilities:		
Borrowings under short-term line of credit	$24,219	$71,500
Accounts payable for grain	584,171	391,905
Other accounts payable	169,867	142,762
Customer prepayments and deferred revenue	99,164	79,557
Commodity derivative liabilities – current	33,277	15,874
Accrued expenses and other current liabilities	66,964	60,445
Current maturities of long-term debt (Note 10)	15,145	32,208
Total current liabilities	992,807	794,251
Other long-term liabilities	18,406	43,014
Commodity derivative liabilities – noncurrent	1,134	1,519
Employee benefit plan obligations	53,131	52,972
Long-term debt, less current maturities (Note 10)	427,243	238,885
Deferred income taxes	78,138	64,640
Total liabilities	1,570,859	1,195,281
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common shares, without par value (42,000 shares authorized; 19,198 shares issued)	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)	—	—
Additional paid-in-capital	181,627	179,463
Treasury shares, at cost (554 in 2012; 697 in 2011)	(12,559)	(14,997)
Accumulated other comprehensive loss	(45,379)	(43,090)
Retained earnings	470,628	402,523
Total shareholders' equity of The Andersons, Inc.	594,413	523,995
Noncontrolling interests	17,032	14,847
Total equity	611,445	538,842
Total liabilities and equity	$2,182,304	$1,734,123

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

Table of Contents

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

Table of Contents

	Year ended December 31,		
	2012	2011	2010
Operating Activities			
Net income	$75,565	$96,825	64,881
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Depreciation and amortization	48,977	40,837	38,913
Bad debt expense (recovery)	1,129	187	(8,716)
Cash distributions less than (in excess of) income of unconsolidated affiliates	8,134	(23,591)	(17,594)
Gains on sales of railcars and related leases	(23,665)	(8,417)	(7,771)
Excess tax benefit from share-based payment arrangement	(162)	(307)	(876)
Deferred income taxes	16,503	5,473	12,205
Stock based compensation expense	3,990	4,071	2,589
Lower of cost or market inventory and contract adjustment	262	3,142	—
Impairment of property, plant and equipment	531	1,704	1,682
Other	(672)	254	215
Changes in operating assets and liabilities:			
Accounts receivable	(21,737)	(15,708)	(848)
Inventories	122,428	(114,427)	(214,171)
Commodity derivatives	2,947	134,309	(158,183)
Other assets	(12,927)	(1,104)	(3,970)
Accounts payable for grain	101,265	117,309	20,703
Other accounts payable and accrued expenses	5,914	49,708	31,656
Net cash provided by (used in) operating activities	328,482	290,265	(239,285)
Investing Activities			
Purchase of investments	(19,996)	—	—
Proceeds from redemption of investment	19,998	—	—
Acquisition of businesses, net of cash acquired	(220,257)	(2,365)	(39,293)
Purchases of railcars	(111,224)	(64,161)	(18,354)
Proceeds from sale of railcars	90,827	30,398	20,102
Purchases of property, plant and equipment	(69,274)	(44,162)	(30,897)
Proceeds from sale of property, plant and equipment	1,116	931	1,942
Investment in convertible preferred securities	—	—	(13,100)
Investments in affiliates	—	(121)	(395)
Change in restricted cash	18,253	(6,517)	(9,010)
Net cash used in investing activities	(290,557)	(85,997)	(89,005)
Financing Activities			
Net change in short-term borrowings	(47,281)	(169,600)	241,100
Proceeds from issuance of long-term debt	275,346	73,752	18,986
Payments of long-term debt	(143,943)	(104,008)	(36,598)
Proceeds from minority investor	6,100	—	—
Proceeds from sale of treasury shares to employees and directors	1,322	815	1,305
Payments of debt issuance costs	(637)	(3,170)	(7,508)
Purchase of treasury stock	—	(3,040)	—
Dividends paid	(11,166)	(8,153)	(6,581)
Excess tax benefit from share-based payment arrangement	162	307	876
Net cash provided by (used in) financing activities	79,903	(213,097)	211,580
Increase (decrease) in cash and cash equivalents	117,828	(8,829)	(116,710)
Cash and cash equivalents at beginning of year	20,390	29,219	145,929

Cash and cash equivalents at end of year	$138,218	$20,390	$29,219

45

Table of Contents

	Year ended December 31,		
	2012	2011	2010
Supplemental disclosure of cash flow information			
Acquisition of capitalized software under accounts payable	$2,876	—	—
Purchase of a productive asset through seller-financing	10,498	—	—
Outstanding payment for acquisition of business	3,345	—	—

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

Table of Contents

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

	The Andersons, Inc. Shareholders' Equity						
	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interest	Total
Balance at January 1, 2010	$96	$175,477	$(15,554)	$ (25,314)	$258,662	$ 12,909	$406,276
Net income					64,662	219	64,881
Other comprehensive loss				(3,485)			(3,485)
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of $1,076 (157 shares)		2,398	1,496				3,894
Dividends declared ($0.3575 per common share)					(7,007)		(7,007)
Balance at December 31, 2010	96	177,875	(14,058)	(28,799)			