

ALICO INC  
Form 10-Q  
May 10, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2010**  
or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 0-261  
Alico, Inc.  
(Exact name of registrant as specified in its charter)**

**Florida**

**59-0906081**

*(State or other jurisdiction of  
incorporation or organization)*

*(I.R.S. Employer  
Identification No.)*

**P.O. Box 338, LaBelle, FL**

**33975**

*(Address of principal executive offices)*

*(Zip Code)*

*Registrant's telephone number, including area code: **863-675-2966***

**N/A**

*(Former name, former address and former fiscal year, if changed since last report.)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

**Yes**  **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**  **No**

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

Large accelerated filer

**Accelerated filer**

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller  
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

**Yes**  **No**

There were 7,375,151 shares of common stock, par value \$1.00 per share, outstanding at May 3, 2010.



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For the quarter ended March 31, 2010

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Part I. Financial Information  
 Item 1. Financial Statements

**ALICO, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
 (in thousands except per share data)

|   | Three months ended March |             | Six months ended March |             |
|---|--------------------------|-------------|------------------------|-------------|
|   | 2010                     | 31,<br>2009 | 2010                   | 31,<br>2009 |
| <b>Operating revenue</b>                      |                          |             |                        |             |
| Agricultural operations                       | \$ 31,014                | \$ 32,393   | \$ 44,486              | \$ 50,481   |
| Non-agricultural operations                   | 640                      | 830         | 1,286                  | 1,787       |
| Real estate operations                        |                          | 123         |                        | 1,372       |
| <b>Total operating revenue</b>                | 31,654                   | 33,346      | 45,772                 | 53,640      |
| <b>Operating expenses</b>                     |                          |             |                        |             |
| Agricultural operations                       | 27,202                   | 31,680      | 40,719                 | 49,137      |
| Non-agricultural operations                   | 315                      | 316         | 581                    | 573         |
| Real estate operations                        | 247                      | 298         | 419                    | 588         |
| <b>Total operating expenses</b>               | 27,764                   | 32,294      | 41,719                 | 50,298      |
| Gross profit                                  | 3,890                    | 1,052       | 4,053                  | 3,342       |
| Corporate general and administrative          | 1,565                    | 2,811       | 2,805                  | 5,812       |
| <b>Profit (loss) from operations</b>          | 2,325                    | (1,759)     | 1,248                  | (2,470)     |
| <b>Other income (expenses):</b>               |                          |             |                        |             |
| Profit on sales of bulk real estate, net      |                          |             |                        | 1,546       |
| Interest and investment income, net           | 337                      | 44          | 279                    | 977         |
| Interest expense                              | (746)                    | (1,258)     | (1,724)                | (3,337)     |
| Other   | (3)                      | 7,007       | 169                    | 7,018       |
| <b>Total other (expense) income net</b>       | (412)                    | 5,793       | (1,276)                | 6,204       |
| Income (loss) before income taxes             | 1,913                    | 4,034       | (28)                   | 3,734       |
| Provision for (benefit from) income taxes     | 563                      | 1,977       | (8)                    | 1,853       |
| <b>Net income (loss)</b>                      | \$ 1,350                 | \$ 2,057    | \$ (20)                | \$ 1,881    |
| Weighted-average number of shares outstanding | 7,378                    | 7,384       | 7,383                  | 7,392       |

|  |         |         |           |         |
|--|---------|---------|-----------|---------|
| Weighted-average number of shares<br>outstanding assuming dilution     | 7,378   | 7,386   | 7,383     | 7,395   |
| Per share amounts- net income (loss)                                   |         |         |           |         |
| Basic  | \$ 0.18 | \$ 0.28 | \$ (0.00) | \$ 0.25 |
| Diluted  | \$ 0.18 | \$ 0.28 | \$ (0.00) | \$ 0.25 |
| Dividends  | \$      | \$ 0.14 | \$        | \$ 0.41 |
| See accompanying Notes to Condensed Consolidated Financial Statements. |         |         |           |         |

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**ALICO, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

| <b>ASSETS</b>  | <b>March 31,<br/>2010</b> | <b>September 30,<br/>2009</b> |
|--|---------------------------|-------------------------------|
| Current assets:  |                           |                               |
| Cash and cash equivalents                              | \$ 10,021                 | \$ 18,794                     |
| Investments  | 4,138                     | 3,410                         |
| Accounts receivable, net                               | 8,566                     | 1,929                         |
| Income tax receivable                                  | 6,025                     | 5,994                         |
| Mortgages and notes receivable                         | 69                        | 72                            |
| Inventories  | 15,653                    | 18,737                        |
| Current deferred tax asset                             | 1,490                     | 1,431                         |
| Other current assets                                   | 315                       | 968                           |
| <b>Total current assets</b>                            | <b>46,277</b>             | <b>51,335</b>                 |
| Mortgages and notes receivable, net of current portion | 7,176                     | 7,221                         |
| Investments, deposits and other                        | 4,672                     | 8,984                         |
| Deferred tax assets                                    | 7,335                     | 7,356                         |
| Cash surrender value of life insurance                 | 6,353                     | 6,291                         |
| Property, buildings and equipment                      | 179,691                   | 178,736                       |
| Less: accumulated depreciation                         | (59,613)                  | (59,688)                      |
| <b>Total assets</b>                                    | <b>\$ 191,891</b>         | <b>\$ 200,235</b>             |

(continued)

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**ALICO, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (continued)**  
(in thousands)

|  | <b>March 31,<br/>2010</b> | <b>September 30,<br/>2009</b> |
|--|---------------------------|-------------------------------|
| <b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>         |                           |                               |
| <b>Current liabilities:</b>                          |                           |                               |
| Accounts payable                                     | \$ 2,632                  | \$ 1,283                      |
| Current portion of notes payable                     | 5,253                     | 5,122                         |
| Accrued expenses                                     | 2,527                     | 2,252                         |
| Dividend payable                                     |                           | 1,014                         |
| Accrued ad valorem taxes                             | 635                       | 1,967                         |
| Other current liabilities                            | 588                       | 1,006                         |
| <b>Total current liabilities</b>                     | <b>11,635</b>             | <b>12,644</b>                 |
| Notes payable, net of current portion                | 66,557                    | 73,806                        |
| Deferred retirement benefits, net of current portion | 3,307                     | 3,229                         |
| Other liabilities                                    | 3,741                     | 3,680                         |
| <b>Total liabilities</b>                             | <b>85,240</b>             | <b>93,359</b>                 |
| <b>Stockholders equity:</b>                          |                           |                               |
| Common stock   | 7,377                     | 7,377                         |
| Additional paid in capital                           | 9,414                     | 9,480                         |
| Treasury stock                                       | (187)                     | (52)                          |
| Accumulated other comprehensive income               | 1                         | 3                             |
| Retained earnings                                    | 90,046                    | 90,068                        |
| <b>Total stockholders equity</b>                     | <b>106,651</b>            | <b>106,876</b>                |
| <b>Total liabilities and stockholders equity</b>     | <b>\$ 191,891</b>         | <b>\$ 200,235</b>             |

See accompanying Notes to Condensed Consolidated Financial Statements.



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**ALICO, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|  | Six months ended<br>March 31, |                  |
|--|-------------------------------|------------------|
|  | 2010                          | 2009             |
| <b>Net cash provided by operating activities</b>               | <b>\$ 2,988</b>               | <b>\$ 8,645</b>  |
| <b>Cash flows from investing activities:</b>                   |                               |                  |
| Purchases of property and equipment                            | (4,907)                       | (4,026)          |
| Purchases of investments                                       | (242)                         | (5,910)          |
| Proceeds from sales of property and equipment                  | 614                           | 320              |
| Proceeds from sales of investments                             | 1,314                         | 21,546           |
| Note receivable collections                                    | 48                            | 1,796            |
| <b>Net cash (used for) provided by investing activities</b>    | <b>(3,173)</b>                | <b>13,726</b>    |
| <b>Cash flows from financing activities:</b>                   |                               |                  |
| Principal payments on notes payable                            | (28,118)                      | (73,222)         |
| Proceeds from notes payable                                    | 21,000                        | 24,036           |
| Proceeds from stock option exercises                           |                               | 16               |
| Treasury stock purchases                                       | (456)                         | (852)            |
| Dividends paid   | (1,014)                       | (4,063)          |
| <b>Net cash used for financing activities</b>                  | <b>(8,588)</b>                | <b>(54,085)</b>  |
| Net decrease in cash and cash equivalents                      | \$ (8,773)                    | \$ (31,714)      |
| Cash and cash equivalents:                                     |                               |                  |
| At beginning of period   | \$ 18,794                     | \$ 54,370        |
| <b>At end of period</b>  | <b>\$ 10,021</b>              | <b>\$ 22,656</b> |
| <b>Supplemental disclosures of cash flow information</b>       |                               |                  |
| Cash paid for interest, net of amount capitalized              | \$ 1,972                      | \$ 3,606         |
| Cash paid for income taxes                                     | \$                            | \$ 1,482         |
| <b>Supplemental schedule of non-cash investing activities:</b> |                               |                  |
| Reclassification of breeding herd to property and equipment    | \$ 557                        | \$ 552           |

See accompanying Notes to Condensed Consolidated Financial Statements.

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**ALICO, INC. AND SUBSIDIARIES**  
**UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(in thousands except for per share data)**

**1. Basis of financial statement presentation:**

The accompanying condensed consolidated financial statements ( Financial Statements ) include the accounts of Alico, Inc. ( Alico ) and its wholly owned subsidiaries, Alico Land Development, Inc. ( ALDI ), Agri-Insurance Company, Ltd. ( Agri ), Alico-Agri, Ltd., Alico Plant World, LLC and Bowen Brothers Fruit, LLC ( Bowen ) (collectively referred to as the Company ) after elimination of all significant intercompany balances and transactions.

The following Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information not misleading.

The accompanying unaudited condensed consolidated financial statements have been prepared on a basis consistent with the accounting principles and policies reflected in the Company s annual report for the year ended September 30, 2009. In the opinion of Management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of its consolidated financial position at March 31, 2010 and September 30, 2009 and the consolidated results of operations and cash flows for the three and six month periods ended March 31, 2010 and 2009.

The Company is involved in agriculture, which is of a seasonal nature and subject to the influence of natural phenomena and wide price fluctuations. The results of operations for the stated periods are not necessarily indicative of results to be expected for the full year. Footnote presentation of dollar values are in thousands.

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Alico's effective tax rate was 28.6% and 49.6% for the six months ended March 31, 2010 and 2009, respectively. The March 2010 rate differed from the expected combined Federal and State blended rate of 38% primarily due to permanent differences between book and tax income resulting from an increase in the cash surrender value of life insurance contracts which was recognized as a gain for book purposes, but is not taxable. The March 2009 rate differed from the expected combined Federal and State blended rate of 38% due to a decline in the cash surrender value of life insurance contracts, which was recognized as a loss for book purposes, but is not deductible for tax purposes.

The Company applies a more likely than not threshold to the recognition and non-recognition of tax positions. A change in judgment related to prior years' tax positions is recognized in the quarter of such change.

At March 31, 2010, the Company had \$1.1 million of potential tax exposure related to uncertain tax positions which was included as other non-current liabilities in the accompanying balance sheets. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense and includes estimated interest and penalties in its liability for uncertain tax positions.

The IRS is currently auditing Alico's amended tax returns for the fiscal years ended August 31, 2007, 2006, and 2005 and the short period return filed for the transition month ended September 30, 2007. Alico has extended the statute of limitations on the originally filed 2005 and 2006 tax returns to December 31, 2010 pursuant to a request by the IRS. The IRS has proposed several adjustments to the returns as filed at the time of this report, relating to timing of deductions and the treatment of intercompany transactions between Alico and its Agri subsidiary. The Company is in discussions with the IRS concerning these proposed adjustments. As of the filing date of this report, the IRS has not issued a thirty day letter, nor quantified any additional proposed taxes, interest or penalties. The state income tax returns for the years under audit by the IRS have not been audited by the states and are subject to audit for the same tax periods open for federal tax purposes.

**3. Indebtedness:**

The following table reflects outstanding debt under the Company's various loan agreements:

|                               | <b>Revolving<br/>line of<br/>credit</b> | <b>Term note</b> | <b>Mortgage<br/>note<br/>payable</b> | <b>All other</b> | <b>Total</b> |
|-------------------------------|---|------------------|--------------------------------------|------------------|--------------|
| <b>March 31, 2010</b>         |   |                  |                                      |                  |              |
| Principal balance outstanding | 22,740                                  | 43,956           | 5,067                                | 47               | 71,810       |
| Remaining available credit    | 52,260                                  |                  |                                      |                  | 52,260       |
| Effective interest rate       | 2.50%                                   | 6.79%            | 6.68%                                | Various          |              |
| Scheduled maturity date       | Aug 2012                                | Sep 2018         | Mar 2014                             | Various          |              |
| Collateral                    | Real estate                             | Real estate      | Real estate                          | Various          |              |
| <b>September 30, 2009</b>     |   |                  |                                      |                  |              |
| Principal balance outstanding | 27,340                                  | 45,828           | 5,700                                | 60               | 78,928       |
| Remaining available credit    | 47,660                                  |                  |                                      |                  | 47,660       |
| Effective interest rate       | 2.63%                                   | 6.79%            | 6.68%                                | Various          |              |
| Scheduled maturity date       | Aug 2012                                | Sep 2018         | Mar 2014                             | Various          |              |
| Collateral                    | Real estate                             | Real estate      | Real estate                          | Various          |              |

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Alico, Inc. has a Term Note, a Mortgage and a Revolving Line of Credit with Farm Credit of Southwest Florida. All three agreements are cross collateralized by 7,680 acres of real estate in Hendry County used for farm leases, sugarcane and citrus production. The Term Note and Revolving Line of Credit are collateralized by an additional 43,847 acres of real estate in Hendry County used for farm leases and cattle ranching.

The Term Note calls for equal payments of principal and interest of \$1.7 million per quarter over a ten year term until maturity. The Mortgage note calls for monthly principal payments of \$106 thousand plus accrued interest until maturity. The Company's lender agreed to a one time reduction of its debt service coverage ratio covenant for the quarter ended March 31, 2010. All other covenants and requirements remained intact. At March 31, 2010 Alico was in compliance with all of its covenants under the various loan agreements.

|                           |                  |
|---------------------------|------------------|
| Due within 1 year         | \$ 5,253         |
| Due between 1 and 2 years | 5,530            |
| Due between 2 and 3 years | 28,549           |
| Due between 3 and 4 years | 6,120            |
| Due between 4 and 5 years | 5,191            |
| Due beyond five years     | 21,167           |
| <b>Total</b>              | <b>\$ 71,810</b> |

Interest costs expensed and capitalized to property, buildings and equipment were as follows:

|                            | <b>Three months ended</b> |                 | <b>Six months ended</b> |                 |
|----------------------------|---------------------------|-----------------|-------------------------|-----------------|
|                            | <b>March 31,</b>          |                 | <b>March 31,</b>        |                 |
|                            | <b>2010</b>               | <b>2009</b>     | <b>2010</b>             | <b>2009</b>     |
| Interest expense           | \$ 746                    | \$ 1,258        | \$ 1,724                | \$ 3,337        |
| Interest capitalized       | 22                        | 14              | 51                      | 27              |
| <b>Total interest cost</b> | <b>\$ 768</b>             | <b>\$ 1,272</b> | <b>\$ 1,775</b>         | <b>\$ 3,364</b> |

As an agricultural credit cooperative, Farm Credit of Southwest Florida is owned by the member-borrowers who purchase stock and earn participation certificates in the cooperative. Allocations of patronage are made to members on an annual basis according to the proportionate amount of interest paid by the member. Allocations are made in cash and non-cash participation certificates. The Company reduced its interest expense by \$244 thousand and \$278 thousand during the three months and six months ended March 31, 2010 and by \$36 thousand and \$67 thousand during the three and six months ended March 31, 2009, respectively for patronage allocations.

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**4. Disclosures about reportable segments:**

Alico has six reportable segments: Bowen, Citrus Groves, Sugarcane, Cattle, Real Estate and Leasing. Alico's operations are located in Florida. Alico accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices.

Bowen's operations include harvesting, hauling and marketing citrus for both Alico and other outside growers in the state of Florida. Bowen's operations also include the purchase and resale of citrus fruit. Alico's Citrus Grove operations consist of cultivating citrus trees in order to produce citrus for delivery to the fresh and processed citrus markets in the state of Florida. Alico's sugarcane operations consist of cultivating sugarcane for sale to a sugar processor. Alico's cattle operation is engaged primarily in the production of beef cattle, feeding cattle at western feedlots and the raising of replacement heifers.

The goods and services produced by these segments are sold to wholesalers and processors in the United States who prepare the products for consumption.

Alico's real estate segment, ALDI is engaged in the planning and strategic positioning of all Company owned land. These actions include seeking entitlement of Alico's land assets in order to preserve rights should Alico choose to develop property in the future. The real estate segment is also responsible for negotiating and renegotiating sales and options contracts. Alico's leasing segment rents land to others on a tenant-at-will basis for grazing, farming, oil exploration and recreational uses.

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The following table summarizes the performance of the Company's segments for the three and six month periods ended March 31, 2010 and 2009, and the related assets and depreciation at and for the periods ended March 31, 2010 and September 30, 2009:

|   | Three months ended<br>March 31, |                  | Six months ended<br>March 31, |                  |
|---|---------------------------------|------------------|-------------------------------|------------------|
|   | 2010                            | 2009             | 2010                          | 2009             |
| <b>Revenues (from external customers except as noted)</b> |                                 |                  |                               |                  |
| Bowen   | \$ 11,467                       | \$ 9,672         | \$ 16,979                     | \$ 16,643        |
| Intersegment sales through Bowen                          | 3,584                           | 3,489            | 4,773                         | 4,969            |
| Citrus groves   | 16,276                          | 14,923           | 21,048                        | 20,822           |
| Sugarcane   | 2,136                           | 3,870            | 3,938                         | 7,061            |
| Cattle  | 295                             | 2,128            | 493                           | 2,369            |
| Real estate   |                                 | 123              |                               | 1,372            |
| Leasing   | 590                             | 732              | 1,187                         | 1,546            |
| Vegetables  | 750                             | 1,639            | 1,880                         | 3,292            |
| Revenue from segments                                     | 35,098                          | 36,576           | 50,298                        | 58,074           |
| Other operations  | 140                             | 259              | 247                           | 535              |
| Less: intersegment revenues eliminated                    | (3,584)                         | (3,489)          | (4,773)                       | (4,969)          |
| <b>Total operating revenue</b>                            | <b>\$ 31,654</b>                | <b>\$ 33,346</b> | <b>\$ 45,772</b>              | <b>\$ 53,640</b> |
| Operating expenses  |                                 |                  |                               |                  |
| Bowen   | 10,999                          | 9,162            | 16,768                        | 15,902           |
| Intersegment sales through Bowen                          | 3,584                           | 3,489            | 4,773                         | 4,969            |
| Citrus groves   | 11,914                          | 11,305           | 16,005                        | 16,354           |
| Sugarcane   | 2,006                           | 5,660            | 3,943                         | 8,980            |
| Cattle  | 224                             | 2,837            | 362                           | 3,387            |
| Real estate   | 247                             | 298              | 419                           | 588              |
| Leasing   | 303                             | 290              | 559                           | 519              |
| Vegetables  | 1,980                           | 2,671            | 3,478                         | 4,224            |
| Segment operating expenses                                | 31,257                          | 35,712           | 46,307                        | 54,923           |
| Other operations  | 91                              | 71               | 185                           | 344              |
| Less: intersegment expenses eliminated                    | (3,584)                         | (3,489)          | (4,773)                       | (4,969)          |
| <b>Total operating expenses</b>                           | <b>\$ 27,764</b>                | <b>\$ 32,294</b> | <b>\$ 41,719</b>              | <b>\$ 50,298</b> |
| <b>Gross profit (loss):</b>                               |                                 |                  |                               |                  |
| Bowen   | 468                             | 510              | 211                           | 741              |
| Citrus groves   | 4,362                           | 3,618            | 5,043                         | 4,468            |
| Sugarcane   | 130                             | (1,790)          | (5)                           | (1,919)          |
| Cattle  | 71                              | (709)            | 131                           | (1,018)          |

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|                            |                 |                 |                 |                 |
|----------------------------|-----------------|-----------------|-----------------|-----------------|
| Real estate                | (247)           | (175)           | (419)           | 784             |
| Leasing                    | 287             | 442             | 628             | 1,027           |
| Vegetables                 | (1,230)         | (1,032)         | (1,598)         | (932)           |
| Gross profit from segments | 3,841           | 864             | 3,991           | 3,151           |
| Other                      | 49              | 188             | 62              | 191             |
| <b>Gross Profit</b>        | <b>\$ 3,890</b> | <b>\$ 1,052</b> | <b>\$ 4,053</b> | <b>\$ 3,342</b> |



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|  | Three months ended<br>March 31, |          | Six months ended<br>March 31, |          |
|--|---------------------------------|----------|-------------------------------|----------|
|  | 2010                            | 2009     | 2010                          | 2009     |
| <b>Depreciation, depletion and amortization:</b> |                                 |          |                               |          |
| Bowen  | \$ 79                           | \$ 87    | \$ 161                        | \$ 176   |
| Citrus groves                                    | 509                             | 528      | 1,021                         | 1,063    |
| Sugarcane  | 423                             | 463      | 745                           | 854      |
| Cattle   | 328                             | 418      | 659                           | 840      |
| Leasing  | 231                             | 58       | 290                           | 93       |
| Vegetable  | 60                              | 53       | 120                           | 100      |
| Total segment depreciation and amortization      | 1,630                           | 1,607    | 2,996                         | 3,126    |
| Other depreciation, depletion and amortization   | 149                             | 395      | 423                           | 817      |
| Total depreciation, depletion and amortization   | \$ 1,779                        | \$ 2,002 | \$ 3,419                      | \$ 3,943 |

|                        | March 31,<br>2010 | September 30,<br>2009 |
|------------------------|-------------------|-----------------------|
| <b>Total assets:</b>   |                   |                       |
| Bowen                  | \$ 4,159          | \$ 2,816              |
| Citrus groves          | 45,414            | 45,491                |
| Sugarcane              | 43,392            | 42,832                |
| Cattle                 | 14,885            | 13,595                |
| Leasing                | 4,396             | 4,510                 |
| Vegetables             | 3,384             | 3,647                 |
| Segment assets         | 115,630           | 112,891               |
| Other Corporate assets | 76,261            | 87,344                |
| <b>Total assets</b>    | <b>\$ 191,891</b> | <b>\$ 200,235</b>     |

**5. Treasury Stock**

The Company's Board of Directors has authorized the repurchase of up to 350,000 shares of the Company's common stock through November 1, 2013 for the purpose of funding restricted stock grants under its 2008 Incentive Equity Plan in order to provide restricted stock to eligible Directors and Senior Managers and align their interests with those of the Company's shareholders. Previously Alico provided incentives under its 1998 Plan, and was authorized to purchase up to 650,000 shares prior to the Plan's expiration in November 2008.

The stock repurchases began in November 2005 and will be made on a quarterly basis until November 1, 2013 through open market transactions, at times and in such amounts as the Company's broker determines subject to the provisions of SEC Rule 10b-18.

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The following table provides information relating to purchases of the Company's common shares by the Company on the open market pursuant to the aforementioned plans during the quarter ended March 31, 2010:

| <b>Date</b>  | <b>Total number of shares purchased</b> | <b>Average price paid per share</b> | <b>Total shares purchased as part of publicly announced plans or programs</b> | <b>Total dollar value of shares purchased (thousands)</b> |
|--------------|---|-------------------------------------|---|---|
| January      | 2,308                                   | \$ 29.10                            | 2,308   | \$ 67   |
| <b>Total</b> | <b>2,308</b>                            | <b>\$ 29.10</b>                     | <b>2,308</b>  | <b>\$ 67</b>  |

In accordance with the approved plan, the Company may purchase an additional 308,500 shares.

**6. Fair Value Measurements**

The carrying amounts in the balance sheets for accounts receivable, mortgages and notes receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short term maturity of these items. When stated interest rates are below market, Alico discounts mortgage notes receivable to reflect their estimated fair value. Alico carries its investments and securities available for sale at fair value. The carrying amounts reported for Alico's long-term debt approximates fair value because they are transactions with commercial lenders at interest rates that vary with market conditions and fixed rates that approximate market rates for comparable loans.

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability (i.e. exit price) in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are categorized into one of three different levels depending on the assumptions (i.e. inputs) used in the valuation. Assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The fair value hierarchy is defined as follows:

Level 1- Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2- Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3- Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

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The following table represents the fair values of Alico's financial assets and liabilities as of March 31, 2010:

| Description                    | Fair Value | Quoted prices<br>in<br>active markets<br>for<br>identical assets | Significant<br>other<br>observable<br>inputs | Significant<br>unobservable<br>inputs |
|--------------------------------|------------|--|--|---------------------------------------|
|                                |            | (level 1)  | (level 2)                                    | (level 3)                             |
| <b>Assets:</b>                 |            |  |  |                                       |
| Available for sale investments | \$ 4,256   | \$ 3,546   | \$ 710                                       | \$                                    |
| Other investments              | 4,554      | 250  | 1,305  | 2,999                                 |
|                                | \$ 8,810   | \$ 3,796   | \$ 2,015                                     | \$ 2,999                              |

The following is a reconciliation of beginning and ending balances for securities using level 3 inputs as defined above for the quarter ended March 31, 2010:

|   | Available for<br>sale<br>investments | Other<br>investments | Total    |
|---|--------------------------------------|----------------------|----------|
| Beginning balance   | \$ 1,108                             | \$ 3,062             | \$ 4,170 |
| Realized and unrealized gains (losses) included in earnings                   | 55                                   | 186                  | 241      |
| Realized and unrealized gains (losses) included in other comprehensive income |                                      |                      |          |
| Purchases, sales, issuances and settlements                                   | (1,163)                              | 1                    | (1,162)  |
| Transfers in or out of level 3  |                                      | (250)                | (250)    |
| Ending balance  | \$                                   | \$ 2,999             | \$ 2,999 |

|  | Interest and<br>investment<br>income | Total |
|--|--------------------------------------|-------|
| Total gains (losses) included in earnings attributable to the change in unrealized gains or losses relating to assets held at March 31, 2010 | \$                                   | \$    |

**Table of Contents****ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.  
Cautionary Statement**

Some of the statements in this document include statements about future expectations. Statements that are not historical facts are forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act. These forward-looking statements, which include references to one or more potential transactions, expectation of results and strategic alternatives under consideration are predictive in nature or depend upon or refer to future events or conditions, are subject to known, as well as unknown risks and uncertainties that may cause actual results to differ materially from Company expectations. There can be no assurance that any future transactions will occur or be structured in the manner suggested or that any such transaction will be completed. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of future events, new information or otherwise.

**Liquidity and Capital Resources**

*Dollar amounts listed in thousands:*

|                           | <b>March 31,<br/>2010</b> | <b>September 30,<br/>2009</b> |
|---------------------------|---------------------------|-------------------------------|
| Cash & liquid investments | \$ 14,159                 | \$ 22,204                     |
| Total current assets      | 46,277                    | 51,335                        |
| Current liabilities       | 11,635                    | 12,644                        |
| Working capital           | 34,642                    | 38,691                        |
| Total assets              | 191,891                   | 200,235                       |
| Notes payable             | \$ 71,810                 | \$ 78,928                     |
| Current ratio             | 3.98:1                    | 4.06:1                        |

Management believes that Alico will be able to meet its working capital requirements for the foreseeable future with internally generated funds and through its credit commitments. Alico has credit commitments under a revolving line of credit that provides for revolving credit of up to \$75.0 million. Of the \$75.0 million credit commitment, \$52.3 million was available for Alico's general use at March 31, 2010 (see Note 3 to the Unaudited Condensed Consolidated Financial Statements).

**Cash flows from Operations**

Cash flows provided by operations were \$3.0 million and \$8.6 million for the six months ended March 31, 2010 and 2009, respectively. A Settlement Agreement with a vendor resulted in a \$7.0 million payment to Alico on March 20, 2009. Under the agreement, the vendor admitted no wrongdoing and stipulated that Alico cannot divulge the vendor's name or the agreement's circumstances. Alico recognized the payment as other income during its second quarter ending March 31, 2009.

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In December 2008, Alico offered former and retired employees who were covered under a non-qualified defined benefit deferred compensation plan, an option to terminate future benefits under the plan in exchange for cash equal to the net present value of future vested benefits. Participants with future discounted vested benefits of \$1.4 million elected to receive cash pursuant to the option and were paid in January 2009.

**Cash flows from Investing**

Cash outlays for land, equipment, buildings, and other improvements totaled \$4.9 million and \$4.0 million during the six months ended March 31, 2010 and 2009, respectively. The Company expended \$2.3 million during the six months ended March 31, 2010 toward developing 4,500 acres of sugarcane plantings, which should be available for harvest during the Company's 2011 fiscal year.

During the quarter ended December 31, 2008, Alico began liquidating its Agri subsidiary by selling marketable securities held by Agri which were subsequently utilized as pre-liquidation distributions enabling Alico to pay \$50 million on its Revolving Line of Credit in January 2009.

In November 2008, Alico's subsidiary, Alico-Agri, Ltd., received a principal payment on a note receivable of \$1.8 million related to a real estate sale. The purchaser subsequently defaulted on the note in April 2009. Alico-Agri has initiated foreclosure proceedings in order to reclaim the property. When the foreclosure becomes final, the net mortgage note receivable of \$7.1 million (consisting of the note balance of \$52.2 million less deferred revenue of \$45.1 million), plus accrued interest through March 31, 2009 of \$0.3 million, reduced by the associated commissions payable account of \$2.6 million will be reclassified as basis in the property. This reclassification will have no impact on the future cash flows of the Company.

Recent market conditions have depressed Florida real estate markets causing the predictability of real estate sales including timing and market values to be problematic. Alico continues to market parcels of its real estate holdings which are deemed by Management and the Board of Directors to be excess to the immediate needs of Alico's core operations. The sale of any of these parcels could be material to the future operations and cash flows of Alico.

**Cash flows from Financing**

Alico's Board of Directors has authorized the repurchase of up to 350,000 shares of Alico's common stock through November 1, 2013, for the purpose of funding restricted stock grants under its Incentive Equity Plans in order to provide restricted stock to eligible Directors and Senior Managers to align their interests with those of Alico's shareholders.

All purchases will be made subject to restrictions of Rule 10b-18 relating to volume, price and timing so as to minimize the impact of the purchases upon the market for Alico's shares. The stock repurchases will be made on a quarterly basis until November 1, 2013 through open market transactions. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other market conditions. Alico will use internally generated funds and available working capital to make the purchases. In accordance with the approved plans, at March 31, 2010 an additional 308,500 shares were available for acquisition. Alico purchased 2,308 and 16,000 shares in the open market at an average price of \$29.10 and \$28.50 during the three and six months ended March 31, 2010, respectively and 6,767 and 22,500 shares at an average price of \$36.76 and \$37.89 per share during the three and six months ended March 31, 2009, respectively.

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Alico paid quarterly dividends of \$0.275 per share on November 14, 2008, February 15, 2009, May 15, 2009, August 15, 2009 and November 15, 2009. The Board has temporarily suspended dividends until the operating results of the Company improve. The Board will continue to assess financial condition, compliance with debt covenants, and earnings of Alico in determining its dividend policy.

**Results from Operations**

Unaudited results for the three and six months ended March 31, 2010 and 2009 were as follows (in thousands):

|                                   | Three months ended March |             | Six months ended March |             |
|-----------------------------------|--------------------------|-------------|------------------------|-------------|
|                                   | 2010                     | 31,<br>2009 | 2010                   | 31,<br>2009 |
| Operating revenue                 | \$ 31,654                | \$ 33,346   | \$ 45,772              | \$ 53,640   |
| Gross profit                      | 3,890                    | 1,052       | 4,053                  | 3,342       |
| General & administrative expenses | 1,565                    | 2,811       | 2,805                  | 5,812       |
| Profit (loss) from operations     | 2,325                    | (1,759)     | 1,248                  | (2,470)     |
| Profit on sale of real estate     |                          |             |                        | 1,546       |
| Interest and investment income    | 337                      | 44          | 279                    | 977         |
| Interest expense                  | (746)                    | (1,258)     | (1,724)                | (3,337)     |
| Other income (expense)            | (3)                      | 7,007       | 169                    | 7,018       |
| Income tax (provision) benefit    | (563)                    | (1,977)     | 8                      | (1,853)     |
| Effective income tax rate         | 29.4%                    | 49.0%       | 28.6%                  | 49.6%       |
| Net income (loss)                 | \$ 1,350                 | \$ 2,057    | \$ (20)                | \$ 1,881    |

Improved operating results from Alico's agricultural operations, discussed in detail in the pages following, caused gross profits to increase for the three and six months ended March 31, 2010 when compared with gross profits during the three and six months ended March 31, 2009.

Additionally, lower general and administrative expenses during the three and six months ended March 31, 2010 when compared with general and administrative expenses during the three and six months ended March 31, 2009, combined to cause increased profitability from operations for both the three and six month periods ended March 31, 2010 when compared with the corresponding periods of the prior fiscal year.

Alico expects the trend of lower general and administrative costs to continue as a result of its past and ongoing efforts to control and reduce such costs.

A Settlement Agreement with a vendor resulted in a \$7.0 million payment to Alico on March 20, 2009.

Under the agreement, the vendor admits no wrongdoing and stipulates that Alico cannot divulge the vendor's name or the agreement's circumstances. Alico recognized the payment as other income during its second quarter ending March 31, 2009. This settlement was the primary reason net income (loss) during the quarter and six months ended March 31, 2010 was lower than net income during the quarter and six months ended March 31, 2009.

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**Profit from the Sale of Real Estate**

Beginning in the fiscal year ended August 31, 2006, Alico intensified its efforts toward the planning and strategic positioning of all Company owned land through its Alico Land Development subsidiary. These actions included the hiring of a real estate professional, and seeking entitlement of Alico's land assets in order to preserve rights should Alico choose to develop property in the future. Proceeds from the contracts negotiated or substantially renegotiated subsequent to August 31, 2006 are classified as operating items, while proceeds from sales that originated prior to that time and are not deemed to be substantially modified according to U.S. GAAP, are classified as non-operating. Real estate sales are recorded under the accrual method of accounting. Gains from commercial or bulk land sales are not recognized until payments received for property to be developed within two years after the sale equal 20%, or property to be developed after two years equal 25% of the contract sales price according to the installment sales method.

Alico's real estate revenue during the three and six months ended March 31, 2009 primarily resulted from three contracts with the Ginn Companies for real estate in Lee County, Florida referred to as East, West and Crockett. In October 2008, Ginn elected not to exercise its option on the West property, and relinquished any claim it had on the Crockett property.

In connection with the restructure, Alico's Alico-Agri subsidiary received a principal payment of \$1.8 million on the East contract in November of 2008. Alico-Agri recognized a profit of \$1.5 million as non-operating revenue under the installment method related to the receipt. Additionally, the Company recognized \$1.2 million of operating revenue in October 2008 upon the expiration of the West contract option that had previously been deferred. In April 2009, the buyer defaulted on the East contract and mortgage. The Company has initiated foreclosure proceedings to reclaim the property.

Recent market conditions have depressed Florida real estate markets causing the predictability of real estate sales including timing and market values to be problematic. Alico continues to market parcels of its real estate holdings which are deemed by Management and the Board of Directors to be excess to the immediate needs of Alico's core operations. The sale of any of these parcels could be material to the future operations and cash flows of Alico.

**Interest and Investment Income**

Interest and investment income is generated principally from mortgages held on real estate sold on the installment basis, investments in corporate and municipal bonds, mutual funds, and U.S. Treasury securities.

During the quarter ended March 31, 2010, Alico was able to negotiate the sale of a previously impaired auction rate security resulting in a gain of \$250 thousand which was recognized during the quarter. This gain was the primary cause for increased interest and investment income during the three months ended March 31, 2010 when compared with the three months ended March 31, 2009. As of March 31, 2010 Alico continued to hold auction rate securities with a carrying value of \$710 thousand. These securities were sold subsequent to March 31, 2010 resulting in a net gain of \$30 thousand which will be recognized during the quarter ending June 30, 2010.

As a result of the mortgage default and the liquidation of investments as discussed earlier, the Company's earnings from interest and investing declined substantially during the six months ended March 31, 2010 when compared with the six months ended March 31, 2009.

**Table of Contents****Interest Expense**

Interest expense was lower for the three and six months ended March 31, 2010 compared with the three and six months ended March 31, 2009, primarily due to decreased outstanding debt. During January 2009, Alico reduced its outstanding debt by \$50 million.

**Provision for Income taxes**

Alico's effective tax rate was 29.4% and 28.6% for the three and six months ended March 31, 2010, respectively and 49.0% and 49.7% for the three and six months ended March 31, 2009, respectively. The March 2010 rate differed from the expected combined Federal and State blended rate of 38% primarily due to an increase in the cash surrender value of life insurance contracts which was recognized as a gain for book purposes, but is not taxable. The March 2009 rate differed from the expected combined Federal and State blended rate of 38% due to a decline in the cash surrender value of life insurance contracts, which was recognized as a loss for book purposes, but is not deductible for tax purposes.

**Operating Revenue**

|                                | Three months ended March |                  | Six months ended March |                  |
|--------------------------------|--------------------------|------------------|------------------------|------------------|
|                                | 2010                     | 31,<br>2009      | 2010                   | 31,<br>2009      |
| <b>Revenues</b>                |                          |                  |                        |                  |
| <b>Agriculture:</b>            |                          |                  |                        |                  |
| Bowen Brothers Fruit           | \$ 11,467                | \$ 9,672         | \$ 16,979              | \$ 16,643        |
| Citrus groves                  | 16,276                   | 14,923           | 21,048                 | 20,822           |
| Sugarcane                      | 2,136                    | 3,870            | 3,938                  | 7,061            |
| Cattle                         | 295                      | 2,128            | 493                    | 2,369            |
| Vegetables                     | 750                      | 1,639            | 1,880                  | 3,292            |
| Sod and native plants          | 90                       | 161              | 148                    | 294              |
| Agriculture operations revenue | 31,014                   | 32,393           | 44,486                 | 50,481           |
| Real estate operations         |                          | 123              |                        | 1,372            |
| Land leasing and rentals       | 590                      | 732              | 1,187                  | 1,546            |
| Mining royalties               | 50                       | 98               | 99                     | 241              |
| <b>Total operating revenue</b> | <b>\$ 31,654</b>         | <b>\$ 33,346</b> | <b>\$ 45,772</b>       | <b>\$ 53,640</b> |

Operating revenues declined by 5% and 15% during the three and six months ended March 31, 2010, respectively, when compared with the three and six months ended March 31, 2009, primarily due to reduced revenues from agriculture activities.



**Table of Contents****Gross Profit**

|   | Three months ended March |             | Six months ended March |             |
|---|--------------------------|-------------|------------------------|-------------|
|   | 2010                     | 31,<br>2009 | 2010                   | 31,<br>2009 |
| <b>Gross profit (loss):</b>               |                          |             |                        |             |
| <b>Agriculture:</b>                       |                          |             |                        |             |
| Bowen Brothers Fruit                      | \$ 468                   | \$ 510      | \$ 211                 | \$ 741      |
| Citrus groves                             | 4,362                    | 3,618       | 5,043                  | 4,468       |
| Sugarcane                                 | 130                      | (1,790)     | (5)                    | (1,919)     |
| Cattle                                    | 71                       | (709)       | 131                    | (1,018)     |
| Vegetables                                | (1,230)                  | (1,032)     | (1,598)                | (932)       |
| Sod and native plants                     | 11                       | 116         | (15)                   | 4           |
| Gross profit from agricultural operations | 3,812                    | 713         | 3,767                  | 1,344       |
| Real estate activities                    | (247)                    | (175)       | (419)                  | 784         |
| Land leasing and rentals                  | 287                      | 442         | 628                    | 1,027       |
| Mining royalties                          | 38                       | 72          | 77                     | 187         |
| Gross Profit                              | \$ 3,890                 | \$ 1,052    | \$ 4,053               | \$ 3,342    |

Alico measures gross profit from its operations before any allocation of corporate overhead or interest charges. Gross profit is dependent upon the prices received for each of the Company's products, less harvesting, marketing and delivery costs and the direct costs of production.

The increase in gross profit during the three and six months ended March 31, 2010 compared with the three and six months ended March 31, 2009 was primarily due to increased profit from agricultural operations.

**Agricultural Operations**

Agricultural operations generate a large portion of Alico's revenues. Agricultural operations are subject to a wide variety of risks including market, weather and disease. As a producer of agricultural products, Alico's ability to control the prices it receives from its products is limited, and prices for agricultural products can be volatile. Operating results are largely dictated by market conditions. Agriculture revenues decreased during the three and six months ended March 31, 2010 when compared with the three and six months ended March 31, 2009 due to reduced revenues from its sugarcane, cattle and vegetable operations.

**Bowen**

Bowen's operations generated revenues of \$11.5 million and \$17.0 million for the three and six months ended March 31, 2010, respectively, and \$9.7 million and \$16.6 million for the three and six months ended March 31, 2009, respectively. Gross profits were \$468 thousand and \$211 thousand during the three and six months ended March 31, 2010, respectively, and \$510 thousand and \$741 thousand during the three and six months ended March 31, 2009, respectively. Bowen's operations include the purchase and resale of citrus fruit. Current market conditions in the industry have caused margins to decline when compared to the prior year, resulting in lower profit margins for Bowen during the six months ended March 31, 2010 when compared with the six months ended March 31, 2009.

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**Citrus Groves**

The Citrus Groves division recorded gross revenues of \$16.3 million and \$21.0 million and gross profits of \$4.4 million and \$5.0 million, for the three and six months ended March 31, 2010 and gross revenues of \$14.9 million and \$20.8 million and gross profits of \$3.6 million and \$4.5 million, for the three and six months ended March 31, 2009, respectively. The increase in revenue and gross profits for the quarter and six months ended March 31, 2010 compared with the comparable periods ended March 31, 2009 was due to an increase in citrus prices during the current year caused by a series of freezes which impacted Florida citrus production.

**Sugarcane**

Alico's sugarcane operations consist of cultivating raw sugarcane for sale to a sugar processor. Sugarcane revenues were \$2.1 million and \$3.9 million during the three and six months ended March 31, 2010 and \$3.9 million and \$7.1 million during the three and six months ended March 31, 2009, respectively. Sugarcane generated a profit of \$130 thousand and a loss of \$5 thousand during the three and six months ended March 31, 2010 and losses of \$1.8 million and \$1.9 million during the three and six months ended March 31, 2009, respectively.

To maintain maximum production, sugarcane crops grown on sandy soil such as Alico's, must be rotated every three years. Sugarcane plantings tend to produce less tonnage per acre with each successive crop. Due to dwindling profit margins, uncertainty surrounding the facility where the Company delivers its product, and an unfavorable price determinant, Alico chose to reduce its sugarcane planting activities during the fiscal years ended September 30, 2008 and August 31, 2007. Since that time, the market outlook for sugar has improved, key input costs such as fuel and fertilizer have declined, more details concerning the future of the facility have become known and the Company was able to successfully negotiate a more favorable pricing arrangement with its sole customer.

The Company has undertaken a program to replant its sugarcane fields in order to achieve prior production levels. However, due to the growing cycle of sugarcane crops, the results from these efforts will not be realized until fiscal year 2011. Accordingly, the Company's expected sugarcane tonnage for the fiscal year ending September 30, 2010 is expected to be approximately 40% of its fiscal 2009 production.

**Cattle**

Cattle revenues were \$295 thousand and \$493 thousand and profits from cattle operations were \$71 thousand and \$131 thousand for the three and six months ended March 31, 2010, respectively. Cattle revenues were \$2.1 million and \$2.4 million and losses from cattle operations were \$709 thousand and \$1.0 million for the three and six months ended March 31, 2009, respectively. The decline in revenue for the three and six months ended March 31, 2010 compared with March 31, 2009, is related to timing. Alico expects to sell the majority of its calves during the quarters ending June 30, 2010 and September 30, 2010. The Company has implemented cost cutting measures in its cattle operations and is currently striving to refocus itself as a low cost high quality cattle producer.

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**Vegetables**

Revenues from the sale of vegetables were \$750 thousand and \$1.9 million for the three and six months ended March 31, 2010, respectively. Revenues from the sale of vegetables were \$1.6 million and \$3.3 million for the three and six months ended March 31, 2009, respectively. Gross losses from the vegetable division were \$1.2 million and \$1.6 million for the three and six months ended March 31, 2010, respectively. Gross losses from the vegetable division were \$1.0 million and \$932 thousand for the three and six month periods ended March 31, 2009, respectively. During the first two weeks of January 2010, a cold air mass moved into the State of Florida causing temperatures to drop into the mid 20 s for several consecutive nights. These temperatures caused substantial damage to the Company s vegetable crops, resulting in losses during the quarter ended March 31, 2010. Additionally, freezes in January 2009, likewise caused losses to the vegetable division during the quarter ended March 31, 2009.

**Non Agricultural Operations**

**Land leasing and rentals**

Alico rents land to others on a tenant-at-will basis, for grazing, farming, oil exploration and recreational uses. Revenues from land rentals were \$590 thousand and \$1.2 million for the three and six months ended March 31, 2010, respectively, generating gross profits of \$287 thousand and \$628 thousand, respectively. Revenues from land rentals for the three and six months ended March 31, 2009, respectively were \$732 thousand and \$1.5 million, generating gross profits of \$442 thousand and \$1.0 million, respectively. Several farming leases were not renewed during the current season. The Company is actively pursuing alternative tenants to fill these vacancies and plans to increase its leasing activities as opportunity allows.

**Changes in officers and directors**

Steven M. Smith resigned as President and Principal Executive Officer in February 2010. The Board elected Mr. JD Alexander as President and Chief Executive Officer of Alico to replace Mr. Smith. Mr. Alexander also serves as the President and Chief Executive Officer of Alico s controlling shareholder, Atlantic Blue Group, Inc., a position which he intends to retain. He served as a director of Alico, Inc. in 2004 and 2005 and has served on the Alico Board since January 2008 to the present. He also serves as the Board s Vice Chairman and the Chairman of its Executive Committee. Mr. Alexander has served as a Florida State Senator from 2002 to the present and previously served as a Florida State Representative from 1998 to 2002. Mr. Alexander previously served as Vice President of Alico s citrus division from 1987 to 1997.

Director Evelyn D An, resigned from the Board of Directors in February 2010. Mr. Ramon A. Rodriquez replaced Ms. D An as Chairman of the Company s Audit Committee and as the Committee s Financial Expert as required by applicable SEC and Nasdaq Rules. Mr. Rodriquez currently also serves as Chairman of the Audit Committee of Republic Services, Inc., a solid waste company listed on the NYSE.

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**Off Balance Sheet Arrangements**

Alico through its wholly owned subsidiary Bowen, enters into purchase contracts for the purchase of citrus fruit during the normal course of its business. The remaining obligations under these purchase agreements totaled \$18.0 million at March 31, 2010 for delivery in fiscal years 2010 and 2011. All of these purchase obligations were covered by sales agreements at prices exceeding cost. In addition, Bowen had sales contracts totaling \$0.1 million at March 31, 2010 for which purchases had not been contracted. Bowen's management currently believes that all committed purchase quantities can be sold at a profit and all committed sales quantities can be purchased below the committed sales price.

**Disclosure of Contractual Obligations**

There were no material changes from the Contractual Obligations schedule included in the Company's filing on Form 10-K outside of those occurring during the ordinary course of the Company's business during the interim period.

**Critical Accounting Policies and Estimates**

There have been no substantial changes in the Company's policies regarding critical accounting issues or estimates since the Company's last annual report on form 10-K.

**ITEM 3. Quantitative and Qualitative Disclosures about Market Risk**

Reference is made to the discussion under Part II, Item 7A Quantitative and Qualitative Disclosures about Market Risk in the company's 2009 Annual Report on Form 10-K for the fiscal year ended September 30, 2009. There have been no material changes in this item since the Company's disclosure of in its last annual report on Form 10-K.

**ITEM 4. Controls and Procedures**

The Company's management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in the internal control over financial reporting during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**FORM 10-Q**

**PART II. OTHER INFORMATION**

**ITEM 1. Legal Proceedings.**

On October 29, 2008 Alico was served with a shareholder derivative action complaint filed by Baxter Troutman against JD Alexander and John R. Alexander which names Alico as a nominal defendant. Mr. Troutman is the cousin and nephew of the two defendants, respectively, and is a shareholder in Atlanticblue, a (51%) shareholder of Alico. From February 26, 2004 until January 18, 2008 Mr. Troutman was a director of Alico. The complaint alleges that JD Alexander and John R. Alexander committed breaches of fiduciary duty in connection with a proposed merger of Atlanticblue into Alico which was proposed in 2004 and withdrawn by Atlanticblue in 2005. The suit also alleges, among other things, that the merger proposal was wrongly requested by defendants JD Alexander and John R. Alexander and improperly included a proposed special dividend; and that the Alexanders sought to circumvent the Board's nominating process to ensure that they constituted a substantial part of Alico's senior management team and these actions were contrary to the position of Alico's independent directors at the time causing a waste of Alico's funds and the resignations of the independent directors in 2005. As a result the complaint is seeking damages to be paid to Alico by the Alexanders in excess of \$1,000,000. The complaint concedes that Mr. Troutman has not previously made demand upon Alico to take action for the alleged wrongdoing as required by Florida law alleging that he believed such a demand would be futile. A copy of the Complaint may be obtained from the Clerk of the Circuit Court in Polk County, Florida.

On June 3, 2009 a Special Committee of Alico's Board of Directors comprised entirely of Independent Directors and which was constituted to investigate the shareholder derivative action filed by Mr. Troutman, completed its investigation with the assistance of independent legal counsel, and determined that it would not be in Alico's best interest to pursue such litigation. Alico has filed a motion to dismiss the litigation based upon the findings of the Special Committee. A copy of the report was filed with the Court and it and the other pleadings in the case are available from the Clerk of Circuit Court in Polk County, Florida by reference to the matter of Baxter G. Troutman, Plaintiff vs. John R. Alexander, John D. Alexander, Defendants and Alico, Inc. Nominal Defendant, Case No. 08-CA-10178 Circuit Court, 10th Judicial Circuit, Polk County, Florida.

There are no additional items to report during this interim period.

**ITEM 1A. Risk Factors.**

There were no significant changes regarding risk factors from those disclosed in the Company's annual report on Form 10-K.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

There are no items to report during this interim period.

**ITEM 3. Defaults Upon Senior Securities.**

There are no items to report during this interim period.

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ITEM 4. Reserved.

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## ITEM 5. Other Information.

At its annual stockholders meeting held on Friday, February 19, 2010, the Alico stockholders elected John R. Alexander, JD Alexander, Robert E. Lee Caswell, Charles Palmer, Ramon Rodriguez, John D. Rood, Robert J. Viguet, Jr. and Dr. Gordon Walker to serve on the Company's Board of Directors. Additionally, the shareholders approved the Ratification of the Company's Auditors. Voting results were as follows:

|   |           |
|---|-----------|
| Numbers of share issued outstanding and entitled to vote: | 7,375,747 |
| Shares represented by proxy votes:                        | 6,372,305 |
| Representative share of proxy votes:                      | 86.40%    |

| Directors             | For       | Withhold |
|-----------------------|-----------|----------|
| John R. Alexander     | 5,200,857 | 72,010   |
| JD Alexander          | 4,663,901 | 608,966  |
| Robert E. Lee Caswell | 5,209,465 | 63,402   |
| Ramon Rodriguez       | 5,230,680 | 42,187   |
| Charles L. Palmer     | 5,016,956 | 255,911  |
| John D. Rood          | 5,230,496 | 42,371   |
| Robert J. Viguet, Jr. | 5,206,032 | 66,835   |
| Gordon Walker         | 5,231,014 | 41,853   |

|  | For       | Against | Abstain | Non-votes |
|--|-----------|---------|---------|-----------|
| Ratification of the Company's Auditors | 6,346,464 | 18,462  | 7,379   |           |

ITEM 6. Exhibits

|              |   |
|--------------|---|
| Exhibit 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.                        |
| Exhibit 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.                        |

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**SIGNATURES**

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

ALICO, INC.

(Registrant)

May 10, 2010

JD Alexander

President & Chief Executive Officer

(Signature)

May 10, 2010

Patrick W. Murphy

Chief Financial Officer

(Signature)

May 10, 2010

Jerald R. Koesters

Controller

(Signature)