ANDERSONS INC
Form 10-Q
August 08, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 000-20557

THE ANDERSONS, INC.
(Exact name of the registrant as specified in its charter

OHIO (State of incorporation or organization)	34-1562374 (I.R.S. Employer Identification No.)
480 W. Dussel Drive, Maumee, Ohio (Address of principal executive offices)	43537 (Zip Code)
(419) 893-5050 (Telephone Number)	

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

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 registrant had approximately 28.4 million common shares outstanding, no par value, at July 31, 2014.

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Part I. Financial Information

Item 1. Financial Statements

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

	June 30, 2014	December 31, 2013	June 30, 2013
Assets			
Current assets:			
Cash and cash equivalents	$47,190	$309,085	$75,920
Restricted cash	895	408	872
Accounts receivable, net	189,646	173,930	216,432
Inventories (Note 2)	432,996	614,923	444,523
Commodity derivative assets – current	162,427	71,319	121,789
Deferred income taxes	7,443	4,931	2,797
Other current assets	24,596	47,188	44,936
Total current assets	865,193	1,221,784	907,269
Other assets:			
Commodity derivative assets – noncurrent	312	246	87
Goodwill	58,554	58,554	54,387
Other assets, net	58,431	59,456	49,394
Pension asset	13,023	14,328	—
Equity method investments	264,381	291,109	195,241
	394,701	423,693	299,109
Railcar assets leased to others, net (Note 3)	242,147	240,621	242,887
Property, plant and equipment, net (Note 3)	390,587	387,458	371,716
Total assets	$1,892,628	$2,273,556	$1,820,981

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

	June 30, 2014	December 31, 2013	June 30, 2013
Liabilities and equity			
Current liabilities:			
Borrowings under short-term line of credit	$27,000	$—	$50,000
Accounts payable for grain	164,230	592,183	178,017
Other accounts payable	143,535	154,599	183,971
Customer prepayments and deferred revenue	21,670	59,304	25,621
Commodity derivative liabilities – current	86,134	63,954	58,183
Accrued expenses and other current liabilities	81,260	70,295	57,456
Current maturities of long-term debt (Note 10)	89,387	51,998	45,096
Total current liabilities	613,216	992,333	598,344
Other long-term liabilities	15,032	15,386	15,634
Commodity derivative liabilities – noncurrent	7,444	6,644	5,863
Employee benefit plan obligations	39,178	39,477	50,754
Long-term debt, less current maturities (Note 10)	300,220	375,213	409,020
Deferred income taxes	126,258	120,082	87,486
Total liabilities	1,101,348	1,549,135	1,167,101
Commitments and contingencies (Note 11)			
Shareholders' equity:			
Common shares, without par value (42,000 shares authorized; 28,797 shares issued)	96	96	96
Preferred shares, without par value (1,000 shares authorized; none issued)	—	—	—
Additional paid-in-capital	189,098	184,380	182,455
Treasury shares, at cost (378, 607 and 689 shares at 6/30/14, 12/31/13 and 6/30/13, respectively)	(8,801)	(10,222)	(11,448)
Accumulated other comprehensive loss	(27,023)	(21,181)	(42,025)
Retained earnings	609,024	548,401	506,691
Total shareholders' equity of The Andersons, Inc.	762,394	701,474	635,769
Noncontrolling interests	28,886	22,947	18,111
Total equity	791,280	724,421	653,880
Total liabilities and equity	$1,892,628	$2,273,556	$1,820,981

See Notes to Condensed Consolidated Financial Statements

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Sales and merchandising revenues	$1,312,082	$1,566,964	$2,315,376	$2,838,934
Cost of sales and merchandising revenues	1,190,587	1,463,735	2,117,106	2,656,432
Gross profit	121,495	103,229	198,270	182,502
Operating, administrative and general expenses	76,275	61,464	147,260	123,472
Interest expense	6,146	4,855	12,148	11,259
Other income:				
Equity in earnings of affiliates, net	32,213	10,010	52,714	17,814
Other income, net	3,797	1,292	23,409	4,018
Income before income taxes	75,084	48,212	114,985	69,603
Income tax provision	25,714	17,480	39,586	26,559
Net income	49,370	30,732	75,399	43,044
Net income attributable to the noncontrolling interests	5,069	1,193	8,390	927
Net income attributable to The Andersons, Inc.	$44,301	$29,539	$67,009	$42,117
Per common share:				
Basic earnings attributable to The Andersons, Inc. common shareholders	$1.56	$1.05	$2.36	$1.50
Diluted earnings attributable to The Andersons, Inc. common shareholders	$1.56	$1.05	$2.36	$1.49
Dividends paid	$0.1100	$0.1067	$0.2200	$0.2133

See Notes to Condensed Consolidated Financial Statements

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net income	$49,370	$30,732	$75,399	$43,044
Other comprehensive (loss) income, net of tax:				
(Decrease) increase in estimated fair value of investment in debt securities (net of income tax of ($1,350), $0, ($3,308) and $187)	(2,230)	—	(5,462)	303
Change in unrecognized actuarial loss and prior service cost (net of income tax of ($422), $693, ($309) and $925 - Note 14)	(698)	1,144	(511)	2,913
Cash flow hedge activity (net of income tax of $38, $65, $80 and $161)	62	108	131	138
Other comprehensive (loss) income	(2,866)	1,252	(5,842)	3,354
Comprehensive income	46,504	31,984	69,557	46,398
Comprehensive income attributable to the noncontrolling interests	5,069	1,193	8,390	927
Comprehensive income attributable to The Andersons, Inc.	$41,435	$30,791	$61,167	$45,471

See Notes to Condensed Consolidated Financial Statements

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

	Six months ended June 30, 2014	2013
Operating Activities		
Net income	$75,399	$43,044
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation and amortization	28,434	28,184
Bad debt expense	310	610
Cash distributions in excess of (less than) income of unconsolidated affiliates	13,214	(4,333)
Gain on sale of investments in affiliates	(17,055)	—
Gains on sales of railcars and related leases	(13,284)	(14,616)
Excess tax benefit from share-based payment arrangement	(1,645)	(278)
Deferred income taxes	7,202	22,525
Stock-based compensation expense	6,053	1,435
Other	(2,368)	714
Changes in operating assets and liabilities:		
Accounts receivable	(17,130)	(7,517)
Inventories	181,927	331,596
Commodity derivatives	(68,196)	12,770
Other assets	22,400	7,017
Accounts payable for grain	(427,953)	(404,636)
Other accounts payable and accrued expenses	(46,893)	(76,184)
Net cash used in operating activities	(259,585)	(59,669)
Investing Activities		
Acquisition of businesses, net of cash acquired	—	(3,345)
Purchases of railcars	(30,403)	(56,899)
Proceeds from sale of railcars	29,195	53,243
Purchases of property, plant and equipment	(20,633)	(18,549)
Proceeds from sale of property, plant and equipment	283	137
Proceeds from sale of investments in affiliates	31,457	—
Other	(138)	—
Change in restricted cash	(488)	(474)
Net cash provided by (used in) investing activities	9,273	(25,887)
Financing Activities		
Net change in short-term borrowings	27,000	25,781
Proceeds from issuance of long-term debt	6,712	36,391
Payments of long-term debt	(39,006)	(34,708)
Proceeds from sale of treasury shares to employees and directors	1,474	1,547
Payments of debt issuance costs	(3,175)	(46)
Dividends paid	(6,233)	(5,985)
Excess tax benefit from share-based payment arrangement	1,645	278
Net cash provided by (used in) financing activities	(11,583)	23,258
Decrease in cash and cash equivalents	(261,895)	(62,298)
Cash and cash equivalents at beginning of period	309,085	138,218

Cash and cash equivalents at end of period	$47,190	$75,920

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	Six months ended June 30, 2014	2013
Supplemental disclosure of cash flow information		
Capital project costs incurred but not yet paid	$4,930	$3,839
Purchase of capitalized software through seller-financing	$1,944	$9,393

See Notes to Condensed Consolidated Financial Statements

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

	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2012	$96	$181,627	$(12,559)	$ (45,379)	$470,628	$ 17,032	$611,445
Net income					42,117	927	43,044
Other comprehensive income				3,354			3,354
Proceeds received from minority investor						152	152
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of $1,099 (128 shares)		773	1,111				1,884
Dividends declared ($0.2133 per common share)					(5,999)		(5,999)
Performance share unit dividend equilavents		55			(55)		—
Balance at June 30, 2013	$96	$182,455	$(11,448)	$ (42,025)	$506,691	$ 18,111	$653,880
Balance at December 31, 2013	$96	$184,380	$(10,222)	$ (21,181)	$548,401	$ 22,947	$724,421
Net income					67,009	8,390	75,399
Other comprehensive loss				(5,842)			(5,842)
Cash distributions to noncontrolling interest						(2,451)	(2,451)
Stock awards, stock option exercises and other shares issued to		4,642	1,421				6,063

employees and directors, net of income tax of $1,522 (215 shares)							
Payment of cash in lieu for stock split (187 shares)		(58)					(58)
Dividends declared ($0.2200 per common share)					(6,252)		(6,252)
Performance share unit dividend equivalents		134			(134)		—
Balance at June 30, 2014	$96	$189,098	$(8,801)	$ (27,023)	$609,024	$ 28,886	$791,280

See Notes to Condensed Consolidated Financial Statements

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

1. Basis of Presentation and Consolidation
These Condensed Consolidated Financial Statements include the accounts of The Andersons, Inc. and its wholly owned and controlled subsidiaries (the “Company”). All significant intercompany accounts and transactions are eliminated in consolidation.
Investments in unconsolidated entities in which the Company has significant influence, but not control, are accounted for using the equity method of accounting.
In the opinion of management, all adjustments, consisting of normal recurring items, considered necessary for a fair statement of the results of operations for the periods indicated, have been made. Operating results for the six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2014.
The Condensed Consolidated Balance Sheet data at December 31, 2013 was derived from audited Consolidated Financial Statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. A Condensed Consolidated Balance Sheet as of June 30, 2013 has been included as the Company operates in several seasonal industries.
The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in The Andersons, Inc. Annual Report on Form 10-K for the year ended December 31, 2013 (the “2013 Form 10-K”).
New Accounting Standard
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards No. 2014-09, Revenue From Contracts With Customers. The core principle of the new revenue model is that an entity recognizes revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for annual and interim periods beginning after December 15, 2016. The Company is currently assessing the impact this standard will have on its Consolidated Financial Statements and disclosures.

2. Inventories
Major classes of inventories are as follows:

(in thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Grain	$290,595	$432,893	$303,018
Ethanol and by-products	16,798	14,453	17,966
Agricultural fertilizer and supplies	64,971	100,593	71,226
Lawn and garden fertilizer and corncob products	30,151	39,960	23,434
Retail merchandise	25,180	22,505	25,389
Railcar repair parts	5,107	4,312	3,293
Other	194	207	197
	$432,996	$614,923	$444,523

Inventories on the Condensed Consolidated Balance Sheets at June 30, 2014, December 31, 2013 and June 30, 2013 do not include 3.7 million, 13.3 million and 2.5 million bushels of grain, respectively, held in storage for others. The Company does not have title to the grain and is only liable for any deficiencies in grade or shortage of quantity that may arise during the storage period. Management does not anticipate material losses on any deficiencies.

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3. Property, Plant and Equipment

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

(in thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Land	$22,055	$21,801	$22,637
Land improvements and leasehold improvements	68,003	67,153	65,625
Buildings and storage facilities	234,745	231,976	224,281
Machinery and equipment	314,427	308,215	295,723
Software	55,710	13,351	13,469
Construction in progress	18,362	48,135	44,146
	713,302	690,631	665,881
Less: accumulated depreciation and amortization	322,715	303,173	294,165
	$390,587	$387,458	$371,716

Depreciation expense on property, plant and equipment amounted to $20.4 million, $37.5 million and $18.5 million for the year-to-date periods ended June 30, 2014, December 31, 2013, and June 30, 2013, respectively.

In December 2013, the Company recorded charges totaling $4.4 million for asset impairment, primarily due to the write down of asset values in Retail. The Company wrote down the value of these assets to the extent their carrying amounts exceeded fair value. The Company classified the significant assumptions used to determine the fair value of the impaired assets, which were not material, as Level 3 in the fair value hierarchy.

Railcar assets leased to others

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

(in thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Railcar assets leased to others	$323,881	$317,750	$321,269
Less: accumulated depreciation	81,734	77,129	78,382
	$242,147	$240,621	$242,887

Depreciation expense on railcar assets leased to others amounted to $6.9 million, $14.7 million and $7.4 million for the year-to-date periods ended June 30, 2014, December 31, 2013 and June 30, 2013, respectively.

4. Derivatives

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

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

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date. For futures, options and over-the-counter contracts in which physical delivery is not expected to occur but, rather, the contract is expected to be net settled, the Company classifies these contracts as current or noncurrent assets or liabilities, as appropriate, based on the Company's expectations as to when such contracts will be settled.

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

Generally accepted accounting principles permit a party to a master netting arrangement to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or obligation to return cash collateral under the same master netting arrangement. The Company has master netting arrangements for its exchange traded futures and options contracts and certain over-the-counter contracts. When the Company enters into a future, option or an over-the-counter contract, an initial margin deposit may be required by the counterparty. The amount of the margin deposit varies by commodity. If the market price of a future, option or an over-the-counter contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required. The Company nets, by counterparty, its futures and over-the-counter positions against the cash collateral provided or received. The margin deposit assets and liabilities are included in short-term commodity derivative assets or liabilities, as appropriate, in the Condensed Consolidated Balance Sheets.
The following table presents at June 30, 2014, December 31, 2013 and June 30, 2013, a summary of the estimated fair value of the Company's commodity derivative instruments that require cash collateral and the associated cash posted/received as collateral. The net asset or liability positions of these derivatives (net of their cash collateral) are determined on a counterparty-by-counterparty basis and are included within short-term commodity derivative assets (or liabilities) on the Condensed Consolidated Balance Sheets:

(in thousands)	June 30, 2014		December 31, 2013		June 30, 2013	
	Net derivative asset position	Net derivative liability position	Net derivative asset position	Net derivative liability position	Net derivative asset position	Net derivative liability position
Collateral paid	$61,992	$—	$15,480	$—	$33,364	$—
Fair value of derivatives	52,731	—	31,055	—	46,329	—
Balance at end of period	$114,723	$—	$46,535	$—	$79,693	$—

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

(in thousands)	June 30, 2014				
	Commodity derivative assets - current	Commodity derivative assets - noncurrent	Commodity derivative liabilities - current	Commodity derivative liabilities - noncurrent	Total
Commodity derivative assets	$113,205	$323	$3,143	$260	$116,931
Commodity derivative liabilities	(12,770)	(11)	(89,277)	(7,704)	(109,762)
Cash collateral	61,992	—	—	—	61,992
Balance sheet line item totals	$162,427	$312	$(86,134)	$(7,444)	$69,161

(in thousands)	December 31, 2013				
	Commodity derivative assets - current	Commodity derivative assets - noncurrent	Commodity derivative liabilities - current	Commodity derivative liabilities - noncurrent	Total

Commodity derivative assets	$69,289	$246	$1,286	$49	$70,870
Commodity derivative liabilities	(13,450)	—	(65,240)	(6,693)	(85,383)
Cash collateral	15,480	—	—	—	15,480
Balance sheet line item totals	$71,319	$246	$(63,954)	$(6,644)	$967

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	June 30, 2013				
(in thousands)	Commodity derivative assets - current	Commodity derivative assets - noncurrent	Commodity derivative liabilities - current	Commodity derivative liabilities - noncurrent	Total
Commodity derivative assets	$98,902	$87	$4,133	$62	$103,184
Commodity derivative liabilities	(10,477)	—	(62,316)	(5,925)	(78,718)
Cash collateral	33,364	—	—	—	33,364
Balance sheet line item totals	$121,789	$87	$(58,183)	$(5,863)	$57,830

The gains included in the Company’s Condensed Consolidated Statements of Income and the line items in which they are located for the three and six months ended June 30, 2014 and 2013 are as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2014	2013	2014	2013
Gains on commodity derivatives included in sales and merchandising revenues	$73,517	$31,068	$19,831	$67,436

The Company had the following volume of commodity derivative contracts outstanding (on a gross basis) at June 30, 2014, December 31, 2013 and June 30, 2013:

	June 30, 2014			
Commodity	Number of bushels (in thousands)	Number of gallons (in thousands)	Number of pounds (in thousands)	Number of tons (in thousands)
Non-exchange traded:				
Corn	244,716	—	—	—
Soybeans	42,565	—	—	—
Wheat	10,787	—	—	—
Oats	30,470	—	—	—
Ethanol	—	246,812	—	—
Corn oil	—	—	25,371	—
Other	22	—	—	102
Subtotal	328,560	246,812	25,371	102
Exchange traded:				
Corn	142,580	—	—	—
Soybeans	27,855	—	—	—
Wheat	36,740	—	—	—
Oats	7,980	—	—	—
Ethanol	—	110,586	—	—
Other	—	—	—	5
Subtotal	215,155	110,586	—	5
Total	543,715	357,398	25,371	107

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Commodity	December 31, 2013 Number of bushels (in thousands)	Number of gallons (in thousands)	Number of pounds (in thousands)	Number of tons (in thousands)
Non-exchange traded:				
Corn	185,978	—	—	—
Soybeans	18,047	—	—	—
Wheat	11,485	—	—	—
Oats	27,939	—	—	—
Ethanol	—	179,212	—	—
Corn oil	—	—	25,911	—
Other	81	—	—	89
Subtotal	243,530	179,212	25,911	89
Exchange traded:				
Corn	124,420	—	—	—
Soybeans	11,030	—	—	—
Wheat	23,980	—	—	—
Oats	6,820	—	—	—
Ethanol	—	21,630	—	—
Subtotal	166,250	21,630	—	—
Total	409,780	200,842	25,911	89

Commodity	June 30, 2013 Number of bushels (in thousands)	Number of gallons (in thousands)	Number of pounds (in thousands)	Number of tons (in thousands)
Non-exchange traded:				
Corn	196,108	—	—	2
Soybeans	26,244	—	—	—
Wheat	21,205	—	—	—
Oats	12,139	—	—	—
Ethanol	—	36,814	—	—
Corn oil	—	—	9,726	—
Other	28	—	—	98
Subtotal	255,724	36,814	9,726	100
Exchange traded:				
Corn	105,880	—	—	—
Soybeans	15,610	—	—	—
Wheat	32,050	—	—	—
Oats	4,655	—	—	—
Ethanol	—	12,283	—	—
Other	—	—	—	1
Subtotal	158,195	12,283	—	1
Total	413,919	49,097	9,726	101

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5. Earnings Per Share

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

(in thousands, except per common share data)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net income attributable to The Andersons, Inc.	$44,301	$29,539	$67,009	$42,117
Less: Distributed and undistributed earnings allocated to nonvested restricted stock	254	101	346	155
Earnings available to common shareholders	$44,047	$29,438	$66,663	$41,962
Earnings per share – basic:				
Weighted average shares outstanding – basic	28,251	27,995	28,203	27,953
Earnings per common share – basic	$1.56	$1.05	$2.36	$1.50
Earnings per share – diluted:				
Weighted average shares outstanding – basic	28,251	27,995	28,203	27,953
Effect of dilutive awards	30	175	49	163
Weighted average shares outstanding – diluted	28,281	28,170	28,252	28,116
Earnings per common share – diluted	$1.56	$1.05	$2.36	$1.49

There were no antidilutive stock-based awards outstanding at June 30, 2014 or 2013.

6. Employee Benefit Plans

The following are components of the net periodic benefit cost for the pension and postretirement benefit plans maintained by the Company for the three and six months ended June 30, 2014 and 2013:

(in thousands)	Pension Benefits Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Service cost	$47	$—	$90	$—
Interest cost	1,225	1,048	2,387	2,114
Expected return on plan assets	(1,903)	(1,747)	(3,808)	(3,503)
Recognized net actuarial loss	260	373	467	765
Benefit income	$(371)	$(326)	$(864)	$(624)

(in thousands)	Postretirement Benefits Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Service cost	$156	$197	$343	$421
Interest cost	362	338	755	683
Amortization of prior service cost	(136)	(136)	(272)	(272)
Recognized net actuarial loss	178	377	407	737
Benefit cost	$560	$776	$1,233	$1,569

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7. Segment Information

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

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
(in thousands)				
Revenues from external customers				
Grain	$656,004	$891,350	$1,239,163	$1,727,845
Ethanol	226,388	222,240	415,208	421,549
Plant Nutrient	311,895	330,339	419,525	442,241
Rail	33,409	38,601	85,711	84,965
Turf & Specialty	42,913	43,144	86,638	90,331
Retail	41,473	41,290	69,131	72,003
Total	$1,312,082	$1,566,964	$2,315,376	$2,838,934

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2014	2013	2014	2013
Inter-segment sales				
Grain	$3,362	$1	$3,362	$333
Plant Nutrient	2,161	4,015	9,528	11,712
Rail	109	105	218	209
Turf & Specialty	835	841	1,642	1,840
Total	$6,467	$4,962	$14,750	$14,094

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(in thousands)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Interest expense (income)				
Grain	$2,705	$2,474	$5,480	$6,323
Ethanol	76	280	176	606
Plant Nutrient	960	797	1,731	1,715
Rail	1,904	1,429	3,560	2,942
Turf & Specialty	422	346	840	748
Retail	164	152	334	367
Other	(85)	(623)	27	(1,442)
Total	$6,146	$4,855	$12,148	$11,259

(in thousands)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Equity in earnings of affiliates, net				
Grain	$8,467	$5,027	$10,351	$12,937
Ethanol	23,746	4,983	42,363	4,877
Total	$32,213	$10,010	$52,714	$17,814

(in thousands)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Other income (expense), net				
Grain (a)	$975	$(349)	$19,321	$222
Ethanol	356	199	130	430
Plant Nutrient	391	164	576	139
Rail	787	702	1,497	1,648
Turf & Specialty	467	175	774	450
Retail	190	100	302	214
Other	631	301	809	915
Total	$3,797	$1,292	$23,409	$4,018

(a) Increase is related to gain on LTG partial share redemption. See Note 8. Related Party Transactions for details of the LTG gain in the first quarter of 2014.

(in thousands)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Income (loss) before income taxes				
Grain	$10,355	$2,053	$21,661	$10,352
Ethanol	33,904	10,601	53,728	13,080
Plant Nutrient	25,004	23,240	23,593	22,678
Rail	6,684	9,680	21,729	24,254
Turf & Specialty	1,998	2,195	3,373	6,196
Retail	1,637	1,539	(698)	(1,630)
Other	(9,567)	(2,289)	(16,791)	(6,254)
Noncontrolling interests	5,069	1,193	8,390	927
Total	$75,084	$48,212	$114,985	$69,603

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(in thousands)	June 30, 2014	December 31, 2013	June 30, 2013
Identifiable assets			
Grain	$823,957	$921,914	$794,913
Ethanol	255,077	229,797	207,977
Plant Nutrient	235,241	268,238	240,192
Rail	312,354	312,654	298,525
Turf & Specialty	85,696	89,939	73,343
Retail	46,319	44,910	50,313
Other	133,984	406,104	155,718
Total	$1,892,628	$2,273,556	$1,820,981

8. Related Party Transactions
Equity Method Investments
The Company, directly or indirectly, holds investments in companies that are accounted for under the equity method. The Company’s equity in these entities is presented at cost plus its accumulated proportional share of income or loss, less any distributions it has received.
On January 22, 2014, the Company entered into an agreement with LTG for a partial redemption of the Company's investment in LTG for $60 million. The redemption reduced the Company's interest in LTG from approximately 47.5 percent to approximately 39.2 percent on a fully diluted basis. A portion of the proceeds ($28.5 million) was considered a distribution of earnings and reduced the Company's cost basis in LTG. The difference between the remaining proceeds of $31.5 million and the new cost basis of the shares sold, net of deal costs, resulted in a book gain of $17.1 million ($10.7 million after tax). This gain was recorded in Other income, net for the six months ended June 30, 2014.
In July 2013, the Company, along with Lansing Trade Group, LLC established joint ventures that acquired 100% of the stock of Thompsons Limited, including its investment in the related U.S. operating company, for a purchase price of $152 million, which included an adjustment for excess working capital. The purchase price included $48 million cash paid by the Company, $40 million cash paid by LTG, and $64 million of external debt at Thompsons Limited. As part of the purchase LTG also contributed a Canadian branch of its business to Thompsons Limited. Each Company owns 50% of the investment. Thompsons Limited is a grain and food-grade bean handler and agronomy input provider, headquartered in Blenheim, Ontario, and operates 12 locations across Ontario and Minnesota. The Company does not hold a majority of the outstanding shares of the Thompsons Limited joint ventures. All major operating decisions of these joint ventures are made by their Board of Directors, and the Company does not have a majority of the board seats. Due to these factors, the Company does not have control over these joint ventures and accounts for these investments under the equity method of accounting.
The following table presents the Company’s investment balance in each of its equity method investees by entity:

(in thousands)	June 30, 2014	December 31, 2013	June 30, 2013
The Andersons Albion Ethanol LLC (a)	$38,187	$40,194	$32,047
The Andersons Clymers Ethanol LLC (a)	47,129	44,418	34,257
The Andersons Marathon Ethanol LLC (a)	56,320	46,811	34,818
Lansing Trade Group, LLC (b)	65,730	106,028	91,573
Thompsons Limited (c)	53,058	49,833	—
Other	3,957	3,825	2,546
Total	$264,381	$291,109	$195,241

(a) LLCs investment balance considers cash distributions made during the first quarter of 2014
(b) Decrease in LTG investment balance is driven by the sale of a portion of the Company's interest in LTG during the first quarter of 2014
(c) Thompsons Limited and related U.S. operating company held by joint ventures

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

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

(in thousands)	% ownership at June 30, 2014	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
The Andersons Albion Ethanol LLC	53%	$6,656	$972	$11,599	$1,916
The Andersons Clymers Ethanol LLC	38%	6,716	1,358	12,255	1,139
The Andersons Marathon Ethanol LLC	50%	10,374	2,654	18,509	1,822
Lansing Trade Group, LLC	40% (a)	4,893	4,873	7,114	12,864
Thompsons Limited (b)	50%	3,399	—	3,086	—
Other	5%-23%	175	153	151	73
Total		$32,213	$10,010	$52,714	$17,814

(a) This does not consider restricted management units which once vested will reduce the ownership percentage by approximately 1.5%

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

Total distributions received from unconsolidated affiliates, excluding proceeds on sale of investments of affiliates, were $0.3 million and $65.9 million for the three and six months ended June 30, 2014.

Investment in Debt Securities

The Company owns 100% of the cumulative convertible preferred shares of Iowa Northern Railway Corporation ("IANR"), which operates a short-line railroad in Iowa. As a result of this investment, the Company has a 49.9% voting interest in IANR, with the remaining 50.1% voting interest held by the common shareholders. The preferred shares have certain rights associated with them, including voting, dividends, liquidation, redemption and conversion. Dividends accrue to the Company at a rate of 14% annually whether or not declared by IANR and are cumulative in nature. The Company can convert its preferred shares into common shares of IANR at any time, but the shares cannot be redeemed until May 2015. This investment is accounted for as "available-for-sale" debt securities in accordance with ASC 320 and is carried at estimated fair value in "Other noncurrent assets" on the Company's Condensed Consolidated Balance Sheet. The estimated fair value of the Company's investment in IANR as of June 30, 2014 was $17.0 million. See Footnote 9 for additional discussion on the change in the investment value.

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

The Company's current maximum exposure to loss related to IANR is $23.4 million, which represents the Company's investment at fair value plus unpaid accrued dividends to date of $6.4 million. The Company does not have any obligation or commitments to provide additional financial support to IANR.

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Related Party Transactions

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

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2014	2013	2014	2013
Sales revenues	$297,108	$359,759	$519,102	$669,464
Service fee revenues (a)	6,203	5,814	11,841	11,615
Purchases of product	169,601	183,105	324,616	345,060
Lease income (b)	1,596	1,518	3,260	3,070
Labor and benefits reimbursement (c)	2,931	2,623	5,799	5,266
Other expenses (d)	238	395	724	753
Accounts receivable at June 30 (e)	27,028	24,149		
Accounts payable at June 30 (f)	21,829	27,936		

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

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

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

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

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

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

For the quarters ended June 30, 2014 and 2013, revenues recognized for the sale of ethanol that the Company purchased from the unconsolidated ethanol LLCs were $168.1 million and $162.8 million, respectively. For the six months ended June 30, 2014 and 2013, revenues recognized for the sale of ethanol that the Company purchased from the unconsolidated ethanol LLCs were $312.5 million and $308.6 million, respectively. For the quarters ended June 30, 2014 and 2013, revenues recognized for the sale of corn to the unconsolidated ethanol LLCs under these agreements were $158.1 million and $200.2 million, respectively. For the six months ended June 30, 2014 and 2013, revenues recognized for the sale of corn to the unconsolidated ethanol LLCs under these agreements were $275.3 million and $405.1 million, respectively.

From time to time, the Company enters into derivative contracts with certain of its related parties for the purchase and sale of corn and ethanol, for similar price risk mitigation purposes and on similar terms as the purchase and sale derivative contracts it enters into with unrelated parties. The fair value of derivative contract assets with related parties for the periods ended June 30, 2014, December 31, 2013 and June 30, 2013 was $17.4 million, $8.9 million, and $8.6 million, respectively. The fair value of derivative contract liabilities with related parties for the periods ended June 30, 2014, December 31, 2013 and June 30, 2013 was $5.5 million, $1.2 million, and $0.6 million, respectively.

9. Fair Value Measurements

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis at June 30, 2014, December 31, 2013 and June 30, 2013:

(in thousands)	June 30, 2014			
Assets (liabilities)	Level 1	Level 2	Level 3	Total

Cash equivalents	$13,364	$—	$—	$13,364
Restricted cash	895			