

ALICO INC
Form 10-Q
May 11, 2009

Table of Contents

**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, 2009**
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 (paragraph 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, a non-accelerated filer, or a smaller reporting company. See the definitions 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 7,369,201 shares of common stock, par value \$1.00 per share, outstanding at May 4, 2009.

Index

Alico, Inc.
Form 10-Q
For the quarter ended March 31, 2009

Part I. Financial Information

| | |
|--|----|
| <u>Item 1. Unaudited Financial Statements and Footnotes</u> | 3 |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 23 |
| <u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u> | 32 |
| <u>Item 4. Controls and Procedures</u> | 32 |

Part II. Other Information

| | |
|--|----|
| <u>Item 1. Legal Proceedings</u> | 32 |
| <u>Item 1A. Risk Factors</u> | 33 |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | 33 |
| <u>Item 3. Defaults Upon Senior Securities</u> | 33 |
| <u>Item 4. Submission of Matters to a Vote of Security Holders</u> | 33 |
| <u>Item 5. Other Information</u> | 34 |
| <u>Item 6. Exhibits</u> | 34 |
| <u>Signatures</u> | 35 |

Exhibit 31.1
Exhibit 31.2
Exhibit 32.1
Exhibit 32.2

Table of Contents**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 | |
|---|--------------------------|---------------|------------------------|---------------|
| | 2009 | 31, 2008 | 2009 | 31, 2008 |
| Operating revenue | | | | |
| Agricultural operations | \$ 32,393 | \$ 47,460 | \$ 50,481 | \$ 65,567 |
| Non-agricultural operations | 830 | 722 | 1,787 | 1,398 |
| Real estate operations | 123 | | 1,372 | 3,869 |
| Total operating revenue | 33,346 | 48,182 | 53,640 | 70,834 |
| Operating expenses | | | | |
| Agricultural operations | 31,680 | 41,349 | 49,137 | 58,731 |
| Non-agricultural operations | 316 | 136 | 573 | 244 |
| Real estate operations | 298 | 542 | 588 | 1,433 |
| Total operating expenses | 32,294 | 42,027 | 50,298 | 60,408 |
| Gross profit | 1,052 | 6,155 | 3,342 | 10,426 |
| Corporate general and administrative | 2,811 | 3,884 | 5,812 | 6,797 |
| (Loss) profit from continuing operations | (1,759) | 2,271 | (2,470) | 3,629 |
| Other income (expenses): | | | | |
| Profit on sales of bulk real estate, net | | | 1,546 | 817 |
| Interest and investment income, net | 44 | 1,950 | 977 | 5,398 |
| Interest expense | (1,258) | (1,103) | (3,337) | (3,569) |
| Other | 7,007 | (261) | 7,018 | (15) |
| Total other income net | 5,793 | 586 | 6,204 | 2,631 |
| Income from continuing operations before income taxes | 4,034 | 2,857 | 3,734 | 6,260 |
| Provision for income taxes | 1,977 | 1,190 | 1,853 | 2,378 |
| Income from continuing operations | 2,057 | 1,667 | 1,881 | 3,882 |
| (Loss) from discontinued operations, net of taxes | | (129) | | (110) |

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| | | | | | | | | |
|---|----|-------|----|-------|----|-------|----|-------|
| Net income | \$ | 2,057 | \$ | 1,538 | \$ | 1,881 | \$ | 3,772 |
| Weighted-average number of shares outstanding | | 7,360 | | 7,364 | | 7,368 | | 7,362 |
| Weighted-average number of shares outstanding assuming dilution | | 7,368 | | 7,380 | | 7,377 | | 7,377 |
| Per share amounts- income from continuing operations: | | | | | | | | |
| Basic | \$ | 0.28 | \$ | 0.23 | \$ | 0.26 | \$ | 0.53 |
| Diluted | \$ | 0.28 | \$ | 0.23 | \$ | 0.25 | \$ | 0.53 |
| Per share amounts- net income | | | | | | | | |
| Basic | \$ | 0.28 | \$ | 0.21 | \$ | 0.26 | \$ | 0.51 |
| Diluted | \$ | 0.28 | \$ | 0.21 | \$ | 0.25 | \$ | 0.51 |
| Dividends | \$ | 0.14 | \$ | 0.28 | \$ | 0.41 | \$ | 0.55 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

| | (Unaudited) March 31, 2009 | September 30, 2008 |
|--|--|-------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 22,656 | \$ 54,370 |
| Investments | 6,887 | 24,267 |
| Accounts receivable, net | 6,991 | 5,394 |
| Federal income tax- receivable | 4,576 | 6,388 |
| Mortgages and notes receivable | 66 | 2,830 |
| Inventories | 20,870 | 27,451 |
| Deferred tax asset | 1,630 | 1,507 |
| Other current assets | 394 | 923 |
| Total current assets | 64,070 | 123,130 |
| Mortgages and notes receivable, net of current portion | 7,288 | 4,774 |
| Investments, deposits and other non-current assets | 8,662 | 6,975 |
| Deferred tax assets | 6,055 | 6,056 |
| Cash surrender value of life insurance, designated | 6,675 | 7,585 |
| Property, buildings and equipment | 184,064 | 181,429 |
| Less: accumulated depreciation | (58,709) | (56,017) |
| Total assets | \$ 218,105 | \$ 273,932 |

(continued)

Table of Contents

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

| | (Unaudited) March 31, 2009 | September 30, 2008 |
|--|--|-------------------------------|
| LIABILITIES & STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,469 | \$ 1,847 |
| Income taxes payable | | 281 |
| Notes payable | 4,995 | 5,470 |
| Accrued expenses | 3,141 | 3,372 |
| Dividend payable | 1,013 | 2,027 |
| Accrued ad valorem taxes | 705 | 2,270 |
| Other current liabilities | 1,393 | 2,933 |
| Total current liabilities | 14,716 | 18,200 |
| Notes payable, net of current portion | 83,577 | 132,288 |
| Deferred retirement benefits, net of current portion | 3,142 | 4,151 |
| Commissions and deposits payable | 2,616 | 3,800 |
| Total liabilities | 104,051 | 158,439 |
| Stockholders equity: | | |
| Common stock | 7,377 | 7,376 |
| Additional paid in capital | 9,573 | 9,474 |
| Treasury stock | (535) | (64) |
| Accumulated other comprehensive income (loss) | 8 | (92) |
| Retained earnings | 97,631 | 98,799 |
| Total stockholders equity | 114,054 | 115,493 |
| Total liabilities and stockholders equity | \$ 218,105 | \$ 273,932 |

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

| | Six months ended March 31, | |
|--|-----------------------------------|------------------|
| | 2009 | 2008 |
| Net cash provided by operating activities | \$ 8,645 | \$ 17,163 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (4,026) | (3,274) |
| Purchases of investments | (5,910) | (886) |
| Proceeds from sales of property and equipment | 320 | 1,353 |
| Proceeds from sales of investments | 21,546 | 38,138 |
| Note receivable collections | 1,796 | 2,858 |
| Net cash provided by investing activities | 13,726 | 38,189 |
| Cash flows from financing activities: | | |
| Principal payments on notes payable | (73,222) | (20,949) |
| Proceeds from notes payable | 24,036 | 17,500 |
| Proceeds from stock option exercises | 16 | 31 |
| Treasury stock purchases | (852) | (802) |
| Dividends paid | (4,063) | (4,048) |
| Net cash provided used for financing activities | (54,085) | (8,268) |
| Net (decrease) increase in cash and cash equivalents | \$ (31,714) | \$ 47,084 |
| Cash and cash equivalents: | | |
| At beginning of period | \$ 54,370 | \$ 31,599 |
| At end of period | \$ 22,656 | \$ 78,683 |
| Supplemental disclosures of cash flow information | | |
| Cash paid for interest, net of amount capitalized | \$ 3,606 | \$ 4,676 |
| Cash paid for income taxes | \$ 1,482 | \$ |
| Supplemental schedule of non-cash investing activities: | | |
| Reclassification of breeding herd to property and equipment | \$ 552 | \$ 458 |

See accompanying notes to Condensed Consolidated Financial Statements.

Table of Contents

ALICO, INC. AND SUBSIDIARIES
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., 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 fiscal year ended September 30, 2008. 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, 2009 and September 30, 2008 and the consolidated results of operations and cash flows for the three and six month periods ended March 31, 2009 and 2008.

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. Certain items from 2008 have been reclassified to conform to the 2009 presentation.

2. Investments, deposits and other non-current assets:

The Company s investments, deposits and other non-current assets consisted of the following:

| | March 31, 2009 (Unaudited) | | | September 30, 2008 | | |
|---|----------------------------|-----------------|------------------|--------------------|-----------------|------------------|
| | Current | Non-current | Total | Current | Non-current | Total |
| Auction rate municipal bonds | \$ | \$ 4,017 | \$ 4,017 | \$ 20,591 | \$ 2,755 | \$ 23,346 |
| Auction rate mutual funds (municipals) | | 1,170 | 1,170 | | 1,325 | 1,325 |
| U.S. Treasury notes and bonds | 1,048 | | 1,048 | 1,599 | | 1,599 |
| Corporate bonds | 2,010 | | 2,010 | 140 | | 140 |
| Certificates of deposit | 3,829 | | 3,829 | 1,937 | | 1,937 |
| Available for sale securities | 6,887 | 5,187 | 12,074 | 24,267 | 4,080 | 28,347 |
| Cooperative retains receivable, net | | 1,341 | 1,341 | | 1,095 | 1,095 |
| Stock in agricultural cooperatives | | 802 | 802 | | 804 | 804 |
| Escrowed funds | | 150 | 150 | | 150 | 150 |
| Intangibles | | 670 | 670 | | 629 | 629 |
| Other | | 512 | 512 | | 217 | 217 |
| Total | \$ 6,887 | \$ 8,662 | \$ 15,549 | \$ 24,267 | \$ 6,975 | \$ 31,242 |

Table of Contents

The Company reports available for sales securities at estimated fair value. Unrealized gains and losses occurring solely due to changes in market interest rates are recorded as other comprehensive income, net of related deferred taxes, until realized. All other unrealized losses are recognized in the Statement of Operations in the period the determination is made. During the quarter ended March 31, 2009, the Company recognized losses totaling \$338 thousand which were determined to be other than temporary declines in market values. These losses related to the auction rate municipal bonds and mutual funds held by the Company, for which there is not currently an active market.

The cost and estimated fair value of available for sale securities at March 31, 2009 and September 30, 2008 were as follows:

| | March 31, 2009 (Unaudited) | | | | September 30, 2008 | | | |
|---------------------------|--------------------------------------|-------------------------|---------------|-----------------------------|---------------------------|-------------------------|-----------------|-----------------------------|
| | Cost | Gross Unrealized | | Estimated Fair Value | Cost | Gross Unrealized | | Estimated Fair Value |
| | | Gains | Losses | | | Gains | Losses | |
| Municipal bonds | \$ 4,017 | \$ | \$ | \$ 4,017 | \$ 23,493 | \$ 3 | \$ (150) | \$ 23,346 |
| Certificates of Deposit | 3,830 | | (1) | 3,829 | 1,937 | | | 1,937 |
| US Treasury Notes & Bonds | 1,048 | | | 1,048 | 1,592 | 7 | | 1,599 |
| Mutual Funds | 1,170 | | | 1,170 | 1,325 | | | 1,325 |
| Corporate bonds | 2,001 | 9 | | 2,010 | 150 | | (10) | 140 |
| Total | \$ 12,066 | \$ 9 | \$ (1) | 12,074 | \$ 28,497 | \$ 10 | \$ (160) | \$ 28,347 |
| Non current portion | | | | (5,187) | | | | (4,080) |
| Current | | | | \$ 6,887 | | | | \$ 24,267 |

The aggregate fair value of investments in debt instruments (net of mutual funds of \$1,170) as of March 31, 2009 by contractual maturity date consisted of the following:

| | |
|---------------------------|------------------|
| Due within 1 year | \$ 4,877 |
| Due between 1 and 2 years | 2,010 |
| Due between 2 and 3 years | |
| Due between 3 and 4 years | |
| Due between 4 and 5 years | |
| Due beyond five years | 4,017 |
| Total | \$ 10,904 |

Table of Contents

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2009:

| | March 31, 2009 | | | | | |
|------------------------------------|----------------------------|-------------------|-----------------------------|-------------------|--------------|-------------------|
| | Less than 12 months | | 12 months or greater | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Fixed maturity funds (CD's) | \$ 236 | \$ 1 | \$ | \$ | \$ 236 | \$ 1 |
| Corporate bonds | | | | | | |
| Municipal bonds | | | | | | |
| Total | \$ 236 | \$ 1 | \$ | \$ | \$ 236 | \$ 1 |

Table of Contents**3. Mortgages and notes receivable:**

The balances of the Company's mortgages and notes receivable were as follows:

| | March 31, 2009 (unaudited) | September 30, 2008 |
|--|---|-------------------------------|
| Mortgage notes receivable on retail land sales | \$ 194 | \$ 205 |
| Mortgage notes receivable on bulk land sales | 52,320 | 54,108 |
| Note receivable- other | 90 | 90 |
| | | |
| Total mortgage and notes receivable | 52,604 | 54,403 |
| Less: Deferred revenue | (45,246) | (46,793) |
| Discount on notes to impute market interest | (4) | (6) |
| Current portion | (66) | (2,830) |
| | | |
| Non-current portion | \$ 7,288 | \$ 4,774 |

The mortgage note receivable on bulk land sales relates to a parcel in Lee County, Florida referred to as the East parcel which was sold to the Ginn Companies. In July 2005, Alico's subsidiary, Alico-Agri, entered into a sales contract for the East property, consisting of approximately 4,538 acres for a total sales price of \$62.9 million. At the time of the sale, Alico-Agri received a down payment of \$6.2 million and a mortgage note of \$56.6 million in exchange for the East parcel.

Alico-Agri records real estate sales following the provisions in Financial Accounting Standards Board, or FASB, Statement of Financial Accounting Standards No. 66, Accounting for Sales of Real Estate. Under these guidelines, gains from commercial or bulk land sales are not recognized until payments received for property to be developed within two years after the sale represent a 20% continuing interest in the property or for property to be developed after two years, a 25% continuing interest in the property according to the installment sales method. The continuing interest thresholds for gain recognition have not been met for the East contract and Alico-Agri is recognizing gains proportionate to principal receipts through deferred gain accounts which serve to discount the mortgage note receivables under the installment method.

Table of Contents

In November 2008, Alico-Agri received a principal payment of \$1.8 million on the East contract. Alico-Agri recognized a profit of \$1.5 million as non-operating revenue under the installment method related to the receipt. The remaining future principal payments of the East contract were extended as follows:

| <i>Due Date</i> | <i>Due before restructure</i> | <i>Due after restructure</i> |
|-----------------|-----------------------------------|----------------------------------|
| 9/28/09 | \$ 12,000 | \$ 1,000 |
| 9/28/10 | 12,000 | 1,000 |
| 9/28/11 | 26,128 | 4,000 |
| 9/28/12 | -0- | 8,000 |
| 9/28/13 | -0- | 12,000 |
| 9/28/14 | \$ -0- | \$ 26,320 |

Additionally during the quarter ended December 31, 2008, the Company recognized \$1.2 million of operating revenue upon the expiration of an option contract that had previously been deferred.

Interest will continue to accrue on the unpaid balance of the note and be paid in quarterly installments. The note will bear interest at HSH LIBOR plus 150 basis points from September 29, 2008 to September 28, 2009, HSH LIBOR plus 200 basis points from September 29, 2009 to September 28, 2010 and HSH LIBOR plus 250 basis points thereafter until the note is paid in full.

In April 2009, the purchaser defaulted on the contract. For further information please refer to Note 14 to the Unaudited Condensed Consolidated Financial Statements.

4. Inventories:

A summary of the Company's inventories is shown below:

| | March 31, 2009 (unaudited) | September 30, 2008 |
|---------------------------------|---|-------------------------------|
| Unharvested fruit crop on trees | \$ 12,798 | \$ 14,322 |
| Unharvested sugarcane | 961 | 5,978 |
| Beef cattle | 5,177 | 5,065 |
| Unharvested sod | 495 | 449 |
| Plants and vegetables | 1,398 | 1,563 |
| Rock, fill and other | 41 | 74 |
| | | |
| Total inventories | \$ 20,870 | \$ 27,451 |

Table of Contents

The following schedule details net realizable value adjustments to the Company's inventories for the periods reported. All adjustments to inventory resulted from changing market conditions for the respective crops and were realized as cost of sales in the period of adjustment (unaudited):

| | Three months ended March | | Six months ended March 31, | |
|------------------------|--------------------------|-------------|----------------------------|----------|
| | 2009 | 31, 2008 | 2009 | 2008 |
| Unharvested citrus | \$ | \$ | \$ 878 | \$ |
| Unharvested sugarcane | 570 | | 570 | |
| Beef cattle | 665 | 747 | 1,011 | 1,003 |
| Unharvested sod | | | 538 | |
| Unharvested vegetables | 658 | 73 | 658 | 261 |
| Rock, fill and other | | | | |
| Total | \$ 1,893 | \$ 820 | \$ 3,655 | \$ 1,264 |

5. Income taxes:

The provision for income taxes for the three and six months ended March 31, 2009 and March 31, 2008 is summarized as follows (unaudited):

| | Three months ended March 31, 2009 | | | Six months ended March 31, 2009 | | |
|-----------------|-----------------------------------|----------------------------|----------|---------------------------------|----------------------------|----------|
| | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total |
| Current | | | | | | |
| Federal | \$ 1,727 | \$ | \$ 1,727 | \$ 1,621 | \$ | \$ 1,621 |
| State | 428 | | 428 | 410 | | 410 |
| Total current | 2,155 | | 2,155 | 2,031 | | 2,031 |
| Deferred | | | | | | |
| Federal | (121) | | (121) | (121) | | (121) |
| State | (57) | | (57) | (57) | | (57) |
| Total deferred | (178) | | (178) | (178) | | (178) |
| Total Provision | \$ 1,977 | \$ | \$ 1,977 | \$ 1,853 | \$ | \$ 1,853 |

Table of Contents

| | Three months ended March 31, 2008 | | | Six months ended March 31, 2008 | | |
|-----------------|-----------------------------------|-------------------------|----------|---------------------------------|-------------------------|----------|
| | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total |
| Current | | | | | | |
| Federal | \$ 799 | \$ (68) | \$ 731 | \$ 1,693 | \$ (58) | \$ 1,635 |
| State | 166 | (12) | 154 | 421 | (10) | 411 |
| Total current | 965 | (80) | 885 | 2,114 | (68) | 2,046 |
| Deferred | | | | | | |
| Federal | (74) | | (74) | (98) | | (98) |
| State | 299 | | 299 | 362 | | 362 |
| Total deferred | 225 | | 225 | 264 | | 264 |
| Total Provision | \$ 1,190 | \$ (80) | \$ 1,110 | \$ 2,378 | \$ (68) | \$ 2,310 |

The Internal Revenue Service (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 tax return to June 30, 2010 pursuant to a request by IRS Exams.

6. Indebtedness:

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

| | Revolving line of credit | Term note | Mortgage note payable | All other | Total |
|-------------------------------|--------------------------|-------------|-----------------------|-----------|---------|
| March 31, 2009 | | | | | |
| Principal balance outstanding | 34,540 | 47,664 | 6,333 | 35 | 88,572 |
| Remaining available credit | 40,460 | | | | 40,460 |
| Effective interest rate | 3.125% | 6.79% | 6.68% | Various | |
| Scheduled maturity date | Aug. 2012 | Sept. 2018 | Mar. 2014 | Various | |
| Collateral | Real Estate | Real Estate | Real Estate | Various | |
| September 30, 2008 | | | | | |
| Principal balance outstanding | 80,740 | 50,000 | 6,967 | 51 | 137,758 |
| Remaining available credit | 44,260 | | | | 44,260 |
| Effective interest rate | 4.25% | 6.79% | 6.68% | Various | |
| Scheduled maturity date | Aug. 2011 | Sept. 2018 | Mar. 2014 | Various | |
| Collateral | Real Estate | Real Estate | Real Estate | Various | |

Table of Contents

Alico, Inc. has a Term Note, a Mortgage and a Revolving Line of Credit (RLOC) 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 additionally collateralized by 43,847 acres of real estate in Hendry County used for cattle ranching, farm and recreational leases.

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.

On March 30, 2009 the Company modified its RLOC with Farm Credit of Southwest Florida. According to the terms of the modification, the total availability of funds under the RLOC was reduced from \$125 million to \$75 million. Additionally, several covenants were modified as follows: a) the covenant requiring the Company to maintain stockholder equity of at least \$110 million was eliminated in its entirety b) the minimum current ratio was increased to 2.5 to 1 from 2.0 to 1 and c) the fixed charge coverage ratio was replaced by a debt coverage ratio requiring the Company to maintain a debt coverage of not less than 1.10 to 1 on a rolling four quarter basis. The maturity date of the RLOC was extended from August 1, 2011 to August 1, 2012. The interest rate index was changed from 3 month LIBOR to 1 month LIBOR, and the interest rate spreads increased by 100 basis points. The Company also pledged an additional 10,147 acres of real estate in Hendry County, Florida. In addition to the covenants discussed above, the agreements set limitations on the extension of loans or additional borrowings by Alico or any subsidiary. The covenants also restrict Alico's activities regarding investments, liens, borrowing and leasing. The RLOC provides \$75.0 million which may be used for general corporate purposes including: (i) the normal operating needs of Alico and its operating divisions, (ii) the purchase of capital assets and (iii) the payment of dividends. The Revolving Line of Credit also allows for an annual extension at the lender's option.

The Company's Chairman of the Board of Directors, John R. Alexander, is a member of the Board of Directors of the Company's primary lender, Farm Credit of Southwest Florida. Mr. Alexander abstains from voting on matters that directly affect the Company.

Maturities of the Company's debt were as follows: (unaudited)

| | March 31, 2009 |
|---------------------------|---------------------------|
| Due within 1 year | \$ 4,995 |
| Due between 1 and 2 years | 5,239 |
| Due between 2 and 3 years | 5,515 |
| Due between 3 and 4 years | 40,344 |
| Due between 4 and 5 years | 6,120 |
| Due beyond five years | 26,359 |
| Total | \$ 88,572 |

Table of Contents

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

| | Three months ended March | | Six months ended March | |
|----------------------|--------------------------|-------------|------------------------|-------------|
| | 2009 | 31, 2008 | 2009 | 31, 2008 |
| Interest expense | \$ 1,258 | \$ 1,103 | \$ 3,337 | \$ 3,569 |
| Interest capitalized | 14 | 3 | 27 | 15 |
| Total interest cost | \$ 1,272 | \$ 1,106 | \$ 3,364 | \$ 3,584 |

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 \$36 thousand and \$67 thousand during the three and six months ended March 31, 2009, respectively, and by \$1.0 million during the three and six months ended March 31, 2008, respectively for patronage allocations. Patronage receivable is included with investments, deposits and other non-current assets.

7. Discontinued Operations:

Effective June 30, 2008, the Company ceased operating its Alico Plant World facility. The Company is currently leasing the Alico Plant World facilities to a commercial greenhouse operator and has also sold a portion of the equipment used to operate the greenhouse. The results of Alico Plant World's operations have been reported as discontinued operations. For further information regarding the financial impact of Alico Plant World's operations, refer to Note 10 to the Unaudited Condensed Consolidated Financial Statements.

8. 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. Descriptions of the various activities of the segments are described fully in the Company's annual report on Form 10-K.

Although the Vegetable segment does not meet the quantitative thresholds to be considered as a reportable segment, information about this segment may be useful and has been included in the schedules below. For a description of the business activities of the Vegetable segment please refer to Item 1 of the Company's most recent annual report on Form 10-K.

Table of Contents

The following tables summarize the performance of the Company's segments for the unaudited three and six month periods ended March 31, 2009 and 2008, and the related assets and depreciation at March 31, 2009 (unaudited) and September 30, 2008:

| | Three months ended March | | Six months ended March | |
|---|--------------------------|------------------|------------------------|------------------|
| | 2009 | 31, 2008 | 2009 | 31, 2008 |
| Revenues (from external customers except as noted) | | | | |
| Bowen | \$ 9,672 | \$ 19,028 | \$ 16,643 | \$ 26,843 |
| Intersegment sales through Bowen | 3,489 | 4,294 | 4,969 | 5,558 |
| Citrus groves | 14,923 | 18,486 | 20,822 | 23,151 |
| Sugarcane | 3,870 | 4,539 | 7,061 | 7,760 |
| Cattle | 2,128 | 2,916 | 2,369 | 3,402 |
| Real estate | 123 | | 1,372 | 3,869 |
| Leasing | 732 | 577 | 1,546 | 1,113 |
| Vegetables | 1,639 | 2,214 | 3,292 | 3,938 |
| Revenue from segments | 36,576 | 52,054 | 58,074 | 75,634 |
| Other operations | 259 | 422 | 535 | 758 |
| Less: intersegment revenues eliminated | (3,489) | (4,294) | (4,969) | (5,558) |
| Total operating revenue | \$ 33,346 | \$ 48,182 | \$ 53,640 | \$ 70,834 |
| Operating expenses | | | | |
| Bowen | 9,162 | 18,272 | 15,902 | 25,984 |
| Intersegment sales through Bowen | 3,489 | 4,294 | 4,969 | 5,558 |
| Citrus groves | 11,305 | 12,304 | 16,354 | 16,149 |
| Sugarcane | 5,660 | 4,367 | 8,980 | 7,618 |
| Cattle | 2,837 | 3,471 | 3,387 | 4,329 |
| Real estate | 298 | 542 | 588 | 1,433 |
| Leasing | 290 | 111 | 519 | 188 |
| Vegetables | 2,671 | 2,713 | 4,224 | 4,113 |
| Segment operating expenses | 35,712 | 46,074 | 54,923 | 65,372 |
| Other operations | 71 | 247 | 344 | 594 |
| Less: intersegment expenses eliminated | (3,489) | (4,294) | (4,969) | (5,558) |
| Total operating expenses | \$ 32,294 | \$ 42,027 | \$ 50,298 | \$ 60,408 |
| Gross profit (loss): | | | | |
| Bowen | 510 | 756 | 741 | 859 |
| Citrus groves | 3,618 | 6,182 | 4,468 | 7,002 |
| Sugarcane | (1,790) | 172 | (1,919) | 142 |
| Cattle | (709) | (555) | (1,018) | (927) |

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| | | | | |
|----------------------------|-----------------|-----------------|-----------------|------------------|
| Real estate | (175) | (542) | 784 | 2,436 |
| Leasing | 442 | 466 | 1,027 | 925 |
| Vegetables | (1,032) | (499) | (932) | (175) |
| Gross profit from segments | 864 | 5,980 | 3,151 | 10,262 |
| Other | 188 | 175 | 191 | 164 |
| Gross Profit | \$ 1,052 | \$ 6,155 | \$ 3,342 | \$ 10,426 |

Table of Contents

| | Three months ended March | | Six months ended March | |
|--|--------------------------|-------------|------------------------|-------------|
| | 2009 | 31, 2008 | 2009 | 31, 2008 |
| Depreciation, depletion and amortization: | | | | |
| Bowen | \$ 87 | \$ 116 | \$ 176 | \$ 178 |
| Citrus groves | 528 | 555 | 1,063 | 1,111 |
| Sugarcane | 463 | 411 | 854 | 929 |
| Cattle | 418 | 543 | 840 | 941 |
| Leasing | 58 | 22 | 93 | 44 |
| Vegetable | 53 | 29 | 100 | 59 |
| Total segment depreciation and amortization | 1,607 | 1,676 | 3,126 | 3,262 |
| Other depreciation, depletion and amortization | 395 | 480 | 817 | 915 |
| Total depreciation, depletion and amortization | \$ 2,002 | \$ 2,156 | \$ 3,943 | \$ 4,177 |

| | March 31, 2009 (unaudited) | September 30, 2008 |
|------------------------|----------------------------------|-----------------------|
| Total assets: | | |
| Bowen | \$ 2,683 | \$ 2,581 |
| Citrus groves | 47,313 | 49,201 |
| Sugarcane | 41,575 | 43,525 |
| Cattle | 19,397 | 18,343 |
| Leasing | 4,593 | 2,370 |
| Vegetables | 4,778 | 4,213 |
| Segment assets | 120,339 | 120,233 |
| Other Corporate assets | 97,766 | 153,699 |
| Total assets | \$ 218,105 | \$ 273,932 |

9. Stock Compensation Plans:

The Board of Directors of the Company may grant options, stock appreciation rights, and/or restricted stock to certain directors and employees. No stock options or stock appreciation rights were granted or exercised during the six months ended March 31, 2009 or 2008.

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

In fiscal year 2006, the Company began granting restricted shares to certain key employees as long term incentives. The restricted shares vest in accordance with the terms and description outlined in the tables following. The payment of each installment is subject to continued employment with the Company. At March 31, 2009 and September 30, 2008 there were 31,278 and 27,707 restricted shares, respectively, vested in accordance with these grants.

Table of Contents

The following table summarizes the Company's restricted share awards granted to date including compensation expense related to such grants for the six month periods ended March 31, 2009 and 2008:

| Grant Date | Shares Granted | Fair Market Value on Date of Grant | Compensation Expense Recognized for 2009 | Compensation Expense Recognized for 2008 | Weighted Average Grant date Fair value Per share |
|----------------|-------------------|---|--|--|--|
| April 2006 | 20,000 | \$ 908 | \$ | \$ 86 | |
| October 2006 | 20,000 | 1,239 | | 134 | |
| January 2008 | 25,562 | 1,040 | 139 | 417 | |
| September 2008 | 7,500 | 331 | 48 | | |
| Total | 73,062 | \$ 3,518 | \$ 187 | \$ 637 | \$ 48.15 |

The shares granted in April 2006 were recognized as forfeited in September 2008. Four thousand of the shares granted in October 2006 related to past service and were immediately vested and an additional 4,000 shares vested September 30, 2007. The remaining shares under the October 2006 grant vested June 30, 2008.

A grant of 25,562 restricted shares was made to four senior executives in January 2008 with a fair value of \$40.67 per share, in order to replace previous retirement benefits offered. 7,707 of the shares granted in January 2008 related to previously vested retirement benefits and vested immediately. The remaining 17,855 shares granted in January 2008 vest 20% annually in January of each year until fully vested. The shares granted in September 2008 vest 20% annually beginning in September 2010 until fully vested.

Alico recognizes compensation cost equal to the fair value of the stock at the grant dates prorated over the vesting period of each award. The fair value of the 21,784 shares of unvested restricted stock awards at March 31, 2009 was \$523 thousand and will be recognized over a weighted average period of four years.

10. Revision of Prior Period Amounts:

During the second quarter of the fiscal year ended September 30, 2008, the Company discovered an error in its accrual of Cooperative retains related to prior periods totaling \$854 thousand. The error did not have an impact on the previously reported cash flows from operating, financing or investing activities, and was considered immaterial to the Company's previously reported results of operations for the fiscal years ended August 31, 2007 and August 31, 2006. However, since the impact of this error would have been material to the results of operations for the fiscal year ended September 30, 2008, the Company applied the guidance of Staff Accounting Bulletin 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in the Current Year Financial Statements (SAB 108). This guidance requires that the prior period financial statements be corrected, even though the revision was immaterial to the prior period financial statements.

Table of Contents

Based on SAB 108, the prior period income statement amounts have been corrected to include the following adjustments:

| | Originally filed | | Discontinued Operations | | Restatement | | Adjusted | |
|---|------------------|------------------|-------------------------|------------------|----------------|------------------|----------------|------------------|
| | Quarter ended | Six months ended | Quarter ended | Six months ended | Quarter ended | Six months ended | Quarter ended | Six months ended |
| | March 31, 2008 | | March 31, 2008 | | March 31, 2008 | | March 31, 2008 | |
| Agricultural revenue | 48,553 | 67,562 | (1,093) | (1,995) | | | 47,460 | 65,567 |
| Operating revenue | 49,275 | 72,829 | (1,093) | (1,995) | | | 48,182 | 70,834 |
| Agricultural expenses | 42,613 | 60,828 | (1,264) | (2,097) | | | 41,349 | 58,731 |
| Operating expenses | 43,291 | 62,505 | (1,264) | (2,097) | | | 42,027 | 60,408 |
| Gross profit | 5,984 | 10,324 | 171 | 102 | | | 6,155 | 10,426 |
| General & administrative expenses | 3,981 | 6,982 | (97) | (185) | | | 3,884 | 6,797 |
| Profit from continuing operations | 2,003 | 3,342 | 268 | 287 | | | 2,271 | 3,629 |
| Interest and investment income | 1,987 | 6,320 | (37) | (68) | | (854) | 1,950 | 5,398 |
| Other income (expense) | (239) | 26 | (22) | (41) | | | (261) | (15) |
| Income from continuing operations before income taxes | 2,648 | 6,936 | 209 | 178 | | (854) | 2,857 | 6,260 |
| Provision for income taxes | 1,110 | 2,608 | 80 | 68 | | (298) | 1,190 | 2,378 |
| Income from continuing operations | 1,538 | 4,328 | 129 | 110 | | (556) | 1,667 | 3,882 |
| Discontinued operations net of taxes | | | (129) | (110) | | | (129) | (110) |
| Net income | 1,538 | 4,328 | | | | (556) | 1,538 | 3,772 |
| Earnings per share from continuing operations | 0.21 | 0.59 | 0.02 | 0.01 | | (0.08) | 0.23 | 0.53 |

The cumulative effect of the adjustment on the Company's balance sheet was included in the audited balances as of September 30, 2008.

11. Treasury Stock:

The Company's Board of Directors has authorized the repurchase of up to 131,000 shares of the Company's common stock through August 31, 2010, for the purpose of funding restricted stock grants under an 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.

The stock repurchases began in November 2005 and will be made on a quarterly basis until August 31, 2010 through open market transactions, at times and in such amounts as the Company's broker determines subject to the safe harbor provisions of Rule 10b-18.

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, 2009:

| Total number of shares | Average price paid | Total shares purchased as part of publicly | Total dollar value of shares purchased |
|------------------------|--------------------|--|--|
|------------------------|--------------------|--|--|

| Date | purchased | per share | announced plans or programs | (thousands) |
|--------------|------------------|------------------|--|--------------------|
| January | 4,267 | \$ 41.67 | 4,267 | \$ 178 |
| February | 2,500 | 28.38 | 2,500 | 71 |
| Total | 6,767 | \$ 36.76 | 6,767 | \$ 249 |

Total purchases under the plan have totaled 94,238 since November 2005. In accordance with the approved plan, the Company may purchase an additional 36,762 shares.

Table of Contents

12. Fair Value Measurements

The carrying amounts in the consolidated 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 market 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.

Alico implemented SFAS 157, Fair Value Measurements (SFAS 157) on October 1, 2008. SFAS 157 defines fair value, establishes a framework for its measurement, and expands disclosures about fair value measurements. The adoption of SFAS 157 did not have a material effect on the Company's consolidated financial position, cash flows, or results of operations.

In 2007, the Financial Accounting Standards Board (FASB) issued FASB Staff Position FAS 157-2 (FSP 157-2), which provided a one year deferral for the implementation of SFAS 157 for non-financial assets and liabilities measured at fair value that are recorded or disclosed on a non-recurring basis. Alico has elected to apply the FSP 157-2 deferral to the applicable non financial assets and liabilities, consisting of certain parcels of real estate, until October 1, 2009.

SFAS 157 defines fair value 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. SFAS 157 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e.inputs) used in the valuation. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The SFAS 157 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.

Table of Contents

The following table represents the fair values of Alico's financial assets and liabilities at March 31, 2009:

| Description | Fair value | Quoted prices in active markets for identical assets | Significant other observable inputs | Significant unobservable inputs |
|---|------------|--|--|---------------------------------------|
| | | (level 1) | (level 2) | (level 3) |
| Assets: | | | | |
| Available for sale investments | 12,074 | 7,158 | 3,746 | 1,170 |
| Other investments | 3,475 | | | 3,475 |
| Cash surrender value of life insurance policies | 6,675 | | 6,675 | |
| | 22,224 | 7,158 | 10,421 | 4,645 |
| Liabilities | | | | |
| Deferred retirement benefits | 3,414 | | | 3,414 |

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, 2009:

| | Available for sale investments | Other investments | Total |
|--|-----------------------------------|-----------------------------------|----------|
| Beginning balance | \$ 1,325 | \$ 3,047 | \$ 4,372 |
| Realized and unrealized gains (losses) included in earnings | (155) | | (155) |
| Realized and unrealized gains (losses) included in other comprehensive income | | | |
| Purchases, sales, issuances and settlements | | 428 | 428 |
| Transfers in or out of level 3 | | | |
| Ending balance | \$ 1,170 | \$ 3,475 | \$ 4,645 |
| | | Interest and investment income | Total |
| Total gains (losses) included in earnings attributable to the change in unrealized gains or losses relating to assets held at March 31, 2009 | | (155) | \$ (155) |

Table of Contents

| | Deferred retirement benefits |
|---|---|
| Beginning balance | 4,749 |
| Realized and unrealized gains (losses) included in earnings | |
| Realized and unrealized gains (losses) included in other comprehensive income | |
| Purchases, sales, issuances and settlements | (1,335) |
| Transfers in or out of level 3 | |
| Ending balance | 3,414 |
| | |
| Total gains (losses) included in earnings attributable to the change in unrealized gains or losses relating to liabilities held at March 31, 2009 | \$ |

Alico utilized third party service providers to evaluate its investments and deferred retirement liability. Cash surrender values were provided by the Company's policy providers.

13. Other income:

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 ended March 31, 2009.

14. Subsequent Events:

On April 22, 2009 the Company's Alico-Agri, Ltd. subsidiary announced a default on a land sale contract related to the sale of the East parcel in Lee County, Florida.

Under the terms of the contract, a quarterly interest payment of \$283 thousand was due on March 30, 2009. When the payment was not received, Alico-Agri issued the required 15 day notice of delinquency. Alico-Agri is evaluating its options in determining the most expeditious procedure to reclaim the property. The property consists of a 4,538 acre parcel located next to Florida Gulf Coast University in Lee County, Florida a portion of which was a former rock mine. A development order for the property allows up to 336 residential units. Pursuant to the contract, Ginn is entitled to receive a release of 399 acres in exchange for prior principal payments. The Company is currently researching the impact on its financial statements which will include reclassifying the net mortgage note receivable of \$7.1 million (consisting of the note balance of \$52.3 million less deferred revenue of \$45.2 million) as basis in the property. The note receivable was reclassified as non-current in the accompanying condensed consolidated balance sheet.

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:

| | (Unaudited) | |
|---------------------------|---------------------------|-------------------------------|
| | March 31, 2009 | September 30, 2008 |
| Cash & liquid investments | \$ 29,543 | \$ 78,637 |
| Total current assets | 64,070 | 123,130 |
| Current liabilities | 14,716 | 18,200 |
| Working capital | 49,354 | 104,930 |
| Total assets | 218,105 | 273,932 |
| Notes payable | \$ 88,572 | \$ 137,758 |
| Current ratio | 4.35:1 | 6.77:1 |

Management believes that Alico will be able to meet its working capital requirements for the foreseeable future with internally generated funds. In addition, 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, \$40.4 million was available for Alico's general use at March 31, 2009 (see Note 6 to the Unaudited Condensed Consolidated Financial Statements).

Cash flows provided by Operations

Cash flows from operations were \$8.6 million and \$17.2 million for the six months ended March 31, 2009 and 2008, respectively. Overall, revenues and gross profits during fiscal year 2009 are expected to remain lower than those of fiscal year 2008 due to a decrease in returns from agricultural operations. The market prices Alico receives for citrus products, typically Alico's largest source of gross profit, have declined due to increased Florida citrus production and carryover inventories at citrus processing plants.

Table of Contents

During the last week of January and the first week of February 2009, a cold front swept through Florida causing temperatures to drop into the mid 20 s causing damage to Alico s sugarcane and vegetable crops of approximately \$1.4 million.

Alico experienced increases in the cost of fertilizer, herbicides, insecticides and fuel during the fiscal year ended September 30, 2008. A large portion of these costs related to the production of fiscal year 2009 crops and were inventoried. These costs are being charged to fiscal year 2009 operating expenses as crops are harvested. While several input costs, including fuel, have recently declined from higher levels, significant reductions will not be realized through gross profit until the fiscal year 2010 crops are harvested, assuming the lower costs continue.

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 the three months ended ended March 31, 2009.

In December 2008, Alico offered an option to former and retired employees who were covered under a non-qualified defined benefit deferred compensation plan 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 provided by Investing Activities

Alico is currently working to dissolve its Agri-Insurance subsidiary. Proceeds received from the liquidation of investments held by Agri, enabled Alico to pay \$50 million on its RLOC in January 2009.

In November 2008, Alico s subsidiary, Alico-Agri, Ltd., received a payment of \$2.5 million, consisting of principal, interest and fees, in connection with the restructure of a real estate contract (East) with Ginn- LA Naples, Ltd, LLLP (Ginn).

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, through its subsidiary Alico Land Development, 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.

Table of Contents

Cash flows used for Financing Activities

On March 30, 2009, the Company modified its Revolving Line of Credit (RLOC) with Farm Credit of Southwest Florida. According to the terms of the modification, the total availability of funds under the RLOC was reduced to \$75.0 million from \$125.0 million. Additionally, several covenants were modified as follows: a) the covenant requiring the Company to maintain stockholder equity of at least \$110 million was eliminated in its entirety b) the minimum current ratio was increased to 2.5 to 1 from 2.0 to 1 and c) the fixed charge coverage ratio was replaced by a debt coverage ratio requiring the Company to maintain a debt coverage of not less than 1.10 to 1 on a rolling four quarter basis. The maturity date of the RLOC was extended from August 1, 2011 to August 1, 2012. The interest rate index was changed from 3 month LIBOR to 1 month LIBOR, and the interest rate spreads increased by 100 basis points. The Company also pledged an additional 10,147 acres of real estate in Hendry County, Florida. In addition to the covenants discussed above, the agreements set limitations on the extension of loans or additional borrowings by Alico or any subsidiary. The covenants also restrict Alico's activities regarding investments, liens, borrowing and leasing.

Alico is currently working to dissolve its Agri-Insurance subsidiary. Proceeds received from Agri in the form of pre-liquidation distributions from the liquidation of investments held by Agri, enabled Alico to pay \$50 million on its RLOC in January 2009.

Alico's Board of Directors has authorized the repurchase of up to 131,000 shares of Alico's common stock through August 31, 2010, 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. At March 31, 2009 an additional 36,762 shares were available for acquisition. Alico purchased 6,767 and 22,500 shares in the open market during the three and six months ended March 31, 2009 at an average price of \$36.76 and \$37.89 per share, respectively, and purchased 6,200 and 18,200 shares in the open market during the three and six months ended March 31, 2008 at an average price of \$44.24 and \$44.07 per share, respectively.

Alico paid quarterly dividends of \$0.275 per share on February 15, 2009, November 15, 2008, August 15, 2008, May 16, 2008, January 15, 2008 and October 15, 2007. At its meeting on February 26, 2009, the Board of Directors declared a quarterly dividend of \$0.1375 per share payable to stockholders of record as of April 30, 2009 with payment expected on or around May 15, 2009. The Board will continue to assess financial condition, compliance with debt covenants, and earnings to determine future dividends.

Cash outlays for land, equipment, buildings, and other improvements totaled \$4.0 million and \$3.3 million during the six months ended March 31, 2009 and 2008, respectively.

Table of Contents**Results from Operations**

Unaudited results for the quarters ended March 31, 2009 and 2008 were as follows (dollars in thousands):

| | Three months ended March | | Six months ended March 31, | |
|--|--------------------------|-------------|----------------------------|-----------|
| | 2009 | 31, 2008 | 2009 | 2008 |
| Operating revenue | \$ 33,346 | \$ 48,182 | \$ 53,640 | \$ 70,834 |
| Gross profit | 1,052 | 6,155 | 3,342 | 10,426 |
| General & administrative expenses | 2,811 | 3,884 | 5,812 | 6,797 |
| (Loss) profit from continuing operations | (1,759) | 2,271 | (2,470) | 3,629 |
| Profit on sale of real estate | | | 1,546 | 817 |
| Interest and investment income | 44 | 1,950 | 977 | 5,398 |
| Interest expense | (1,258) | (1,103) | (3,337) | (3,569) |
| Other income (expense) | 7,007 | (261) | 7,018 | (15) |
| Income tax provision | (1,977) | (1,190) | (1,853) | (2,378) |
| Effective income tax rate | 49.0% | 41.7% | 49.6% | 38.0% |
| Income from continuing operations | \$ 2,057 | \$ 1,667 | \$ 1,881 | \$ 3,882 |

Alico's agricultural and real estate operations generally combine to produce the majority of operating revenue, gross profit and income from operations. The decrease in income from continuing operations for the quarter and six months ended March 31, 2009 compared with the quarter and six months ended March 31, 2008 was primarily due to reduced profit from agricultural activities.

General and Administrative Expenses

Alico has taken aggressive steps to reduce its general and administrative expenses. These actions have included staff reductions, self imposed director fee reductions, and reducing employee benefit programs. Accordingly, general and administrative expenses declined by 28% and 14% for the three and six months ended March 31, 2009 when compared with the three and six months ended March 31, 2008, respectively.

Profit from the Sale of Real Estate

Beginning in the fiscal year ended August 31, 2006, Alico, through its Alico Land Development subsidiary, intensified its efforts toward the planning and strategic positioning of all Company owned land. 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 revenues during the quarters ended March 31, 2009 and 2008 have 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, the three contracts were renegotiated, with Ginn choosing not to exercise its option on the West property, and relinquishing any claim it might have had on the Crockett property.

Table of Contents

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.

On April 22, 2009, Alico-Agri announced that the Ginn Companies had defaulted on its contract related to the purchase of property in Lee County, Florida. Under the terms of the contract, a quarterly interest payment of \$283 thousand was due on March 30, 2009. When the payment was not received, Alico-Agri issued the required 15 day notice of delinquency to Ginn. Alico-Agri is evaluating its options in determining the most expeditious procedure to reclaim the property. The property consists of a 4,538 acre parcel located next to Florida Gulf Coast University in Lee County, Florida a portion of which was a former rock mine. A development order for the property allows up to 336 residential units. Pursuant to the contract, Ginn is entitled to receive a release of 399 acres in exchange for prior principal payments. The Company is currently researching the impact of this transaction on its financial statements which will include reclassifying the net mortgage note receivable of \$7.1 million (consisting of the note balance of \$52.3 million less deferred revenue of \$45.2 million) as basis in the property.

During the six months ended March 31, 2008, Alico-Agri recognized a profit of \$0.8 million under the installment method on the East contract and \$3.9 million profit related to extension payments received pursuant to the West and Crockett contracts.

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, through its Alico Land Development subsidiary, 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.

Alico is currently working to dissolve its Agri-Insurance subsidiary. In connection with this activity, a substantial portion of its investments were converted to cash, resulting in lower interest earnings for the quarter ended March 31, 2009 when compared to the quarter ended March 31, 2008. Additionally, market interest rates for municipal bonds, which comprise a substantial portion of the investment portfolio, have declined over the same time period.

Alico currently holds several auction rate securities having a total face value of \$5.5 million. These securities are highly rated and continue to pay interest, but are not currently liquid. Due to the current state of the markets for these securities, Alico recognized an impairment of \$0.3 million during the quarter ended December 31, 2008 and recognized the charge as a reduction of investment income. The impaired securities were classified as non-current investments at March 31, 2009 and September 30, 2008.

Table of Contents**Interest Expense**

Interest expense for the three and six months ended March 31, 2009 approximated prior year amounts. While the overall debt level of the Company has declined over the past six months, the effective interest rate has increased largely due to converting \$50.0 million of revolving debt to a term loan with a fixed interest rate of 6.79%.

Provision for Income taxes

Alico's effective tax rate was 49.6% and 38.0% for the six months ended March 31, 2009 and 2008, respectively. 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 | |
|--------------------------------|--------------------------|------------------|------------------------|------------------|
| | 2009 | 31, 2008 | 2009 | 31, 2008 |
| Revenues | | | | |
| Agriculture: | | | | |
| Bowen Brothers Fruit | \$ 9,672 | \$ 19,028 | \$ 16,643 | \$ 26,843 |
| Citrus groves | 14,923 | 18,486 | 20,822 | 23,151 |
| Sugarcane | 3,870 | 4,539 | 7,061 | 7,760 |
| Cattle | 2,128 | 2,916 | 2,369 | 3,402 |
| Vegetables | 1,639 | 2,214 | 3,292 | 3,938 |
| Sod and native plants | 161 | 277 | 294 | 473 |
| Agriculture operations revenue | 32,393 | 47,460 | 50,481 | 65,567 |
| Real estate operations | 123 | | 1,372 | 3,869 |
| Land leasing and rentals | 732 | 577 | 1,546 | 1,113 |
| Mining royalties | 98 | 145 | 241 | 285 |
| Total operating revenue | \$ 33,346 | \$ 48,182 | \$ 53,640 | \$ 70,834 |

Operating revenues declined by 31% and 24% during the quarter and six months ended March 31, 2009, respectively, when compared with the quarter and six months ended March 31, 2008, primarily due to reduced revenues from agricultural activities.

Table of Contents**Gross Profit**

| | Three months ended March | | Six months ended March | |
|---|--------------------------|-------------|------------------------|-------------|
| | 2009 | 31, 2008 | 2009 | 31, 2008 |
| Gross profit (loss): | | | | |
| Agriculture: | | | | |
| Bowen Brothers Fruit | \$ 510 | \$ 756 | \$ 741 | \$ 859 |
| Citrus groves | 3,618 | 6,182 | 4,468 | 7,002 |
| Sugarcane | (1,790) | 172 | (1,919) | 142 |
| Cattle | (709) | (555) | (1,018) | (927) |
| Vegetables | (1,032) | (499) | (932) | (175) |
| Sod and native plants | 116 | 55 | 4 | (65) |
| Gross profit from agricultural operations | 713 | 6,111 | 1,344 | 6,836 |
| Real estate activities | (175) | (542) | 784 | 2,436 |
| Land leasing and rentals | 442 | 466 | 1,027 | 925 |
| Mining royalties | 72 | 120 | 187 | 229 |
| Gross Profit | \$ 1,052 | \$ 6,155 | \$ 3,342 | \$ 10,426 |

Alico measures gross profit from its operations before any allocation of corporate overhead or interest charges. The decline in gross profit during the three and six months ended March 31, 2009 compared with the three and six months ended March 31, 2008 was primarily due to reduced 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 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.

Bowen

Bowen revenues declined both for the three and six months ended March 31, 2009 when compared with the prior year. Citrus prices have declined this season due to consumer price resistance and large amounts of juice inventories throughout the industry. Bowen's operations include providing harvesting, hauling and marketing services for growers for a fee, as well as purchasing fruit from growers and reselling to processors at a slight margin. Because of the marginal nature of the business, Bowen has been able to maintain profitability at a somewhat consistent level compared with the prior year despite the revenue decline.

Citrus Groves

Both revenues and gross profits declined in the citrus grove division during the three and six months ended March 31, 2009 when compared with the prior year. Citrus prices have declined this season due to consumer price resistance and large amounts of juice inventories throughout the industry. As a result, revenues declined 19% and 10% for the three and six months ended March 31, 2009, respectively, when compared to the corresponding prior year periods. The decline in revenue caused a corresponding decline in gross profits from citrus groves of 42% and 36% over the same periods.

Table of Contents

Sugarcane

Sugarcane operations generated losses of \$1.8 million and \$1.9 million during the three and six months ended March 31, 2009, respectively, compared with profits of \$0.2 million and \$0.1 million during the corresponding periods of the prior year.

During the last week of January and the first week of February 2009, a cold front swept through Florida causing temperatures to drop into the mid 20 s and causing damage to Alico s sugarcane crop of approximately \$1.1 million, which was recognized during the quarter ended March 31, 2009.

Sugarcane plantings must be rotated on a three year cycle in order to sustain profitable yields. In fiscal year 2007, the Company did not plant additional sugarcane due to the market outlook at that time and uncertainty surrounding the sugar mill to which the Company delivers its product. Due to the age of current sugarcane plantings, the Company expects a significant yield reduction during fiscal year 2010. Because of the reduced yield expectation, the Company recognized an inventory impairment of \$570 thousand related to its 2010 crop during the quarter ended March 31, 2009.

Due to the above factors, sugarcane revenue declined by 15% and 9% for the three and six months ended March 31, 2009, respectively, when compared with the corresponding periods of the prior year, while gross profits declined by \$2.0 million and \$2.1 million over the same periods.

Cattle

Declines in cattle prices and increased feeding costs caused Alico to recognize inventory impairments of \$665 thousand and \$747 thousand during the three month periods ended March 31, 2009 and 2008, respectively, and \$1.0 million during each of the six month periods ended March 31, 2009 and 2008. In an effort to minimize risk related to its feeding efforts, the Company utilized forward purchase contracts for corn used as cattle feed during the six months ended March 31, 2009. Subsequent declines in the price of corn after the execution of the contract could not be realized due to the forward purchases.

The cattle industry has typically operated on a ten year cycle as cow-calf producers expand inventories in response to profits and reduce herd sizes in response to decreased profitability. Alico s cattle strategy has been to reduce herd sizes during the expansion phase of the cycle and building herd size through opportunistic acquisitions during the contraction phase. Several atypical factors have combined to alter the cattle cycle in the past few years including the utilization of former pastures for corn production due to increased ethanol demand, and drought conditions in the Southeastern United States. Due to these changes, Alico is continuing to evaluate its cattle strategy to determine the most profitable course of action in the current environment.

Table of Contents

Vegetables

Vegetable operations generated losses of \$1.0 million and \$0.9 million during the three and six months ended March 31, 2009, respectively, compared with losses of \$0.5 million and \$0.2 million during the corresponding periods of the prior year.

During the last week of January and the first week of February 2009, a cold front swept through Florida causing temperatures to drop into the mid 20 s causing damage to Alico s vegetable crops. Losses to vegetable crops totaled approximately \$300 thousand, and were recognized during the quarter ended March 31, 2009.

Increased production costs together with a decline in prices received for corn and beans caused the Company to write down its vegetable inventories by \$658 thousand 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.

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 \$4.2 million at March 31, 2009. All of these purchases were covered by sales agreements at prices exceeding cost. In addition, Bowen had sales contracts totaling \$0.9 million at March 31, 2009 for which purchases had not been contracted. Bowen management currently believes that all committed sales quantities can be purchased below committed sales price.

During the second quarter of fiscal year 2007, the Company formed a new company, Alico-J&J, LLC and entered into a joint venture with J&J Produce to produce vegetables on land owned by Alico, Inc. Under the terms of the joint venture, Alico served as a guarantor for five-year equipment leases to the joint venture. Effective June 30, 2008, the Company discontinued its participation in Alico-J&J, LLC. J&J Farms has continued to utilize the equipment and make the monthly lease payments. Alico s maximum total remaining unpaid obligations under these leases, should J&J Farms default on its obligations, was \$0.5 million at March 31, 2009.

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.

Table of Contents

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 2008 Annual Report on Form 10-K for the fiscal year ended September 30, 2008. There are no material changes since the Company's disclosure of this item on its last annual report on Form 10-K.

ITEM 4. Controls and Procedures.

The Company's management, including the Principal 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 Principal 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, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 J. D. 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, Inc., a (51%) shareholder of Alico. From February 26, 2004 until January 18, 2008, Mr. Troutman was a director of Alico. The complaint alleges that J.D. 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 J. D. 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.

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

Table of Contents**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.

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

At its annual stockholders meeting held on Friday February 20, 2009, the Alico stockholders elected John R. Alexander, JD Alexander, Robert E. Lee Caswell, Evelyn D An, Charles Palmer, Dean Saunders, Robert J. Viguet, Jr and Dr. Gordon Walker to serve on the Company's Board of Directors. Additionally, the shareholders approved the 2008 Incentive Equity Plan, Amended and Restated Directors Compensation Plan, Amended and Restated Director's Stock Purchase Policy and the Ratification of the Company's Auditors. Voting results were as follows:

| | |
|---|-----------|
| Number of shares issued outstanding and entitled to vote: | 7,377,106 |
| Shares represented by proxy votes: | 6,261,641 |
| Representative share of proxy votes: | 84.88% |

| Directors | For | Withhold |
|-----------------------|------------|-----------------|
| John R. Alexander | 5,586,418 | 675,223 |
| JD Alexander | 5,389,617 | 872,024 |
| Robert E. Lee Caswell | 5,589,782 | 671,859 |
| Evelyn D An | 5,871,452 | 390,189 |
| Charles L. Palmer | 5,724,073 | 537,568 |
| Dean Saunders | 5,865,834 | 395,807 |
| Robert J. Viguet, Jr. | 5,421,480 | 840,161 |
| Gordon Walker | 5,720,485 | 541,156 |

| | | | | |
|--|------------|----------------|----------------|------------------|
| Approval of 2008 Incentive Equity Plan | For | Against | Abstain | Non-votes |
| | 4,323,605 | 661,538 | 316,458 | 960,040 |
| Amended and Restated Director Compensation Plan | For | Against | Abstain | Non-votes |
| | 4,900,665 | 81,080 | 319,856 | 960,040 |
| Amended and Restated Director's Stock Purchase Policy | For | Against | Abstain | Non-votes |
| | 4,914,831 | 69,136 | 317,634 | 960,040 |
| Ratification of the Company's Auditors | For | Against | Abstain | Non-votes |
| | 5,912,560 | 64,665 | 284,416 | |

Table of Contents

At its Board Meeting following the annual meeting, the Board re-elected Mr. John R. Alexander as Chairman and made the following committee appointments:

Audit Committee:

Chairperson and Financial Expert: Evelyn D An

Charles Palmer

Dean Saunders

Gordon Walker

Compensation Committee:

Chairperson: Charles L. Palmer

JD Alexander

Robert J. Viguet, Jr.

Nominating and Corporate Governance:

Chairperson: Gordon Walker

JD Alexander

Charles L. Palmer

The Board also elected the following officers:

President and Principal Executive Officer, Steven M. Smith;

Senior Vice-President, Chief Financial Officer, Treasurer and Assistant Secretary, Patrick W. Murphy;

Senior Vice-President of Human Resources and Information Technology, Michael R. Talaga;

Director of Accounting, Controller and Assistant Treasurer, Jerald R. Koesters;

Internal Audit Director, Jamie Voskovitch;

Corporate Secretary, A. Denise Plair

The Board of Directors also amended the Bylaws of the Company to remove all references to the Strategy Committee and updated the contact information for the Company's Code of Ethics and Whistleblower Policies.

ITEM 5. Other Information.

There are no items to report during this interim period.

ITEM 6. Exhibits.

Exhibit 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350.

Exhibit 32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350.

Table of Contents

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 11, 2009

Steven M. Smith

President & Principal Executive Officer

(Signature)

May 11, 2009

Patrick W. Murphy

Chief Financial Officer

(Signature)

May 11, 2009

Jerald R. Koesters

Controller

(Signature)

Table of Contents

EXHIBIT INDEX

| Exhibit No. | Description |
|----------------|--|
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| Exhibit 32.1 | Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350. |
| Exhibit 32.2 | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350. |