Limoneira CO
Form 10-Q
June 11, 2012

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED APRIL 30, 2012
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: 001-34755

Limoneira Company

(Exact name of Registrant as Specified in its Charter)

Delaware	77-0260692
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

1141 Cummings Road, Santa Paula, CA 93060
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (805) 525-5541

Not Applicable

(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. x Yes ¨ No

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

As of May 31, 2012, there were 11,196,745 shares outstanding of the registrant's common stock.

LIMONEIRA COMPANY

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Cautionary Note on Forward-Looking Statements.

This Quarterly Report on Form 10-Q contains both historical and forward-looking statements. Forward-looking statements in this 10-Q are subject to a number of risks and uncertainties, some of which are beyond the Company's control. The potential risks and uncertainties that could cause our actual financial condition, results of operations and future performance to differ materially from those expressed or implied include:

- *changes in laws, regulations, rules, quotas, tariffs and import laws;*
- *weather conditions, including freezes, that affect the production, transportation, storage, import and export of fresh produce;*
- *market responses to industry volume pressures;*
- *increased pressure from disease, insects and other pests;*
- *disruption of water supplies or changes in water allocations;*
- *product and raw materials supplies and pricing;*
- *energy supply and pricing;*
- *changes in interest and current exchange rates;*
- *availability of financing for land development activities;*
- *political changes and economic crises;*
- *international conflict;*
- *acts of terrorism;*
- *labor disruptions, strikes or work stoppages;*
- *loss of important intellectual property rights; and*
- *other factors disclosed in our public filings with the Securities and Exchange Commission.*

The Company's actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which the Company is not currently aware or which the Company currently deems immaterial could also cause the Company's actual results to differ, including those discussed in the section entitled "Risk Factors" included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the fiscal year ended October 31, 2011. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, *performance or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update these forward-looking statements, even if our situation changes in the future.*

The terms the "Company," "we," "our" and "us" as used throughout this Quarterly Report on Form 10-Q refer to Limoneira Company and its consolidated subsidiaries, unless otherwise indicated.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Limoneira Company

Consolidated Balance Sheets (unaudited)

	April 30, 2012	October 31, 2011
Assets		
Current assets:		
Cash	$16,000	$21,000
Accounts receivable, net	7,062,000	2,410,000
Notes receivable – related parties	41,000	36,000
Notes receivable	-	350,000
Cultural costs	1,121,000	926,000
Prepaid expenses and other current assets	2,251,000	1,385,000
Income taxes receivable	2,119,000	1,324,000
Total current assets	12,610,000	6,452,000
Property, plant and equipment, net	50,024,000	49,187,000
Real estate development	74,418,000	72,623,000
Equity in investments	8,966,000	8,896,000
Investment in Calavo Growers, Inc.	19,072,000	15,009,000
Notes receivable – related parties	16,000	56,000
Notes receivable	2,412,000	2,123,000
Other assets	5,133,000	4,682,000
Total assets	$172,651,000	$159,028,000
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$3,408,000	$2,650,000
Growers payable	4,435,000	1,004,000
Accrued liabilities	2,809,000	2,399,000
Current portion of long-term debt	748,000	736,000
Total current liabilities	11,400,000	6,789,000
Long-term liabilities:		
Long-term debt, less current portion	89,972,000	82,135,000

Deferred income taxes	11,337,000	10,160,000
Other long-term liabilities	8,754,000	7,892,000
Total long-term liabilities	110,063,000	100,187,000
Commitments and contingencies		
Stockholders' equity:		
Series B Convertible Preferred Stock – $100.00 par value (50,000 shares authorized: 30,000 shares issued and outstanding at April 30, 2012 and October 31, 2011) (8.75% coupon rate)	3,000,000	3,000,000
Series A Junior Participating Preferred Stock – $.01 par value (50,000 shares authorized: 0 issued or outstanding at April 30, 2012 and October 31, 2011)	-	-
Common Stock – $.01 par value (19,900,000 shares authorized: 11,196,745 and 11,205,241 shares issued and outstanding at April 30, 2012 and October 31, 2011, respectively)	112,000	112,000
Additional paid-in capital	35,121,000	34,863,000
Retained earnings	12,078,000	14,980,000
Accumulated other comprehensive income (loss)	877,000	(903,000)
Total stockholders' equity	51,188,000	52,052,000
Total liabilities and stockholders' equity	$172,651,000	$159,028,000

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Limoneira Company

Consolidated Statements of Operations (unaudited)

	Three months ended April 30,		Six months ended April 30,	
	2012	2011	2012	2011
Revenues:				
Agribusiness	$15,046,000	$11,463,000	$24,248,000	$16,338,000
Rental operations	1,006,000	996,000	1,997,000	1,966,000
Real estate development	44,000	51,000	88,000	107,000
Total revenues	16,096,000	12,510,000	26,333,000	18,411,000
Costs and expenses:				
Agribusiness	11,680,000	9,740,000	23,070,000	17,378,000
Rental operations	530,000	532,000	1,098,000	1,092,000
Real estate development	241,000	367,000	489,000	657,000
Impairments of real estate development assets	-	1,196,000	-	1,196,000
Selling, general and administrative	2,513,000	2,220,000	5,284,000	5,170,000
Total costs and expenses	14,964,000	14,055,000	29,941,000	25,493,000
Operating income (loss)	1,132,000	(1,545,000)	(3,608,000)	(7,082,000)
Other income (expense):				
Interest expense	(71,000)	(268,000)	(246,000)	(622,000)
Interest income from derivative instruments	196,000	38,000	355,000	515,000
Gain on sale of Rancho Refugio/Caldwell Ranch	-	1,351,000	-	1,351,000
Interest income	27,000	27,000	52,000	56,000
Other (expense) income, net	(137,000)	(34,000)	208,000	303,000
Total other income	15,000	1,114,000	369,000	1,603,000
Income before income tax (provision) benefit and equity in losses of investments	1,147,000	(431,000)	(3,239,000)	(5,479,000)
Income tax (provision) benefit	(385,000)	197,000	1,195,000	1,909,000
Equity in losses of investments	(25,000)	(30,000)	(28,000)	(21,000)
Net income (loss)	737,000	(264,000)	(2,072,000)	(3,591,000)
Preferred dividends	(65,000)	(65,000)	(131,000)	(131,000)
Net income (loss) applicable to common stock	$672,000	$(329,000)	$(2,203,000)	$(3,722,000)
Basic net income (loss) per common share	$0.06	$(0.03)	$(0.20)	$(0.33)
Diluted net income (loss) per common share	$0.06	$(0.03)	$(0.20)	$(0.33)
Dividends per common share	$0.03	$0.03	$0.06	$0.06

Weighted-average common shares outstanding-basic	11,201,000	11,217,000	11,203,000	11,205,000
Weighted-average common shares outstanding-diluted	11,201,000	11,217,000	11,203,000	11,205,000

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Limoneira Company

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

	Three months ended April 30,		Six months ended April 30,	
	2012	2011	2012	2011
Net income (loss)	$737,000	$(264,000)	$(2,072,000)	$(3,591,000)
Other comprehensive income (loss), net of tax:				
Minimum pension liability adjustment	124,000	135,000	246,000	270,000
Unrealized holding gains (losses) on security available-for-sale	592,000	(833,000)	2,446,000	(362,000)
Unrealized gains (losses) from derivative instruments	71,000	81,000	(912,000)	174,000
Total other comprehensive income (loss), net of tax	787,000	(617,000)	1,780,000	82,000
Comprehensive income (loss)	$1,524,000	$(881,000)	$(292,000)	$(3,509,000)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Limoneira Company

Consolidated Statements of Cash Flows (unaudited)

	Six months ended April 30, 2012	2011
Operating activities		
Net loss	$(2,072,000)	$(3,591,000)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,066,000	1,100,000
Gain on sale of Rancho Refugio/Caldwell Ranch	-	(1,351,000)
Impairments of real estate development assets	-	1,196,000
Loss on disposals/sales of assets	205,000	-
Stock compensation expense	451,000	503,000
Equity in losses of investments	28,000	21,000
Amortization of deferred financing costs	21,000	10,000
Non-cash interest income on derivative instruments	(355,000)	(515,000)
Accrued interest on notes receivable	(39,000)	(46,000)
Changes in operating assets and liabilities:		
Accounts and notes receivable	(4,693,000)	(2,400,000)
Cultural costs	(195,000)	509,000
Prepaid expenses and other current assets	(866,000)	(734,000)
Income taxes receivable	(795,000)	(1,159,000)
Other assets	(96,000)	(113,000)
Accounts payable and growers payable	3,872,000	1,858,000
Accrued liabilities	328,000	(461,000)
Other long-term liabilities	116,000	330,000
Net cash used in operating activities	(3,024,000)	(4,843,000)
Investing activities		
Capital expenditures	(3,774,000)	(3,157,000)
Acquisition of Rancho Refugio/Caldwell Ranch	-	(6,510,000)
Net proceeds from sale of Rancho Refugio/Caldwell Ranch	-	9,297,000
Cash distributions from equity investments	-	257,000
Equity investment contributions	(98,000)	(88,000)
Investments in mutual water companies and water rights	(15,000)	(128,000)
Other	(15,000)	19,000
Net cash used in investing activities	(3,902,000)	(310,000)
Financing activities		
Borrowings of long-term debt	18,695,000	17,156,000
Repayments of long-term debt	(10,846,000)	(11,381,000)
Dividends paid – Common	(700,000)	(700,000)
Dividends paid – Preferred	(131,000)	(131,000)

Repurchase of common stock	(6,000)	(42,000)
Payments of debt financing costs	(91,000)	-
Net cash provided by financing activities	6,921,000	4,902,000
Net decrease in cash	(5,000)	(251,000)
Cash at beginning of period	21,000	262,000
Cash at end of period	$16,000	$11,000

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Limoneira Company

Consolidated Statements of Cash Flows (unaudited) (continued)

	Six months ended April 30,	
	2012	2011
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	$1,770,000	$1,900,000
Cash paid during the period for income taxes, net of (refunds) received	$(400,000)	$(750,000)
Non-cash investing and financing transactions:		
Unrealized holding (gain) loss on investment in Calavo Growers, Inc.	$(4,063,000)	$599,000
Capital expenditures accrued but not paid at period-end	$45,000	$117,000
Accrued interest on note receivable	$39,000	$46,000
Accrued investment contribution obligation in water company	$270,000	$-

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Limoneira Company

Consolidated Financial Statements (unaudited)

Preface

The preparation of the unaudited interim consolidated financial statements requires management to make use of estimates and assumptions that affect the reported amount of assets and liabilities, revenue and expenses and certain financial statement disclosures. Actual results may differ from these estimates.

The unaudited interim consolidated financial statements for the three and six months ended April 30, 2012 and 2011 and balance sheet as of April 30, 2012 included herein have not been audited by an independent registered public accounting firm, but in management's opinion, all adjustments (consisting of normal recurring adjustments) necessary to make a fair statement of the financial position at April 30, 2012 and the results of operations and the cash flows for the periods presented herein have been made. The results of operations for the three and six months ended April 30, 2012 are not necessarily indicative of the operating results expected for the full fiscal year.

The consolidated balance sheet at October 31, 2011 included herein has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

The unaudited interim consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). Although we believe the disclosures made are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules or regulations. These unaudited interim consolidated financial statements should be read in conjunction with the October 31, 2011 consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended October 31, 2011.

Limoneira Company

Notes to Consolidated Financial Statements (unaudited)

1. Business

Limoneira Company, a Delaware Company (the “Company”), engages primarily in growing citrus and avocados, picking and hauling citrus and packing, marketing and selling lemons. The Company is also engaged in housing and other rental operations and real estate development activities.

The Company markets and sells lemons directly to foodservice, wholesale and retail customers throughout the United States, Canada, Asia and other international markets. The Company is a member of Sunkist Growers, Inc. (“Sunkist”), an agricultural marketing cooperative, and sells its oranges, specialty citrus and other crops to Sunkist-licensed and other third-party packinghouses.

The Company sells all of its avocado production to Calavo Growers, Inc. (“Calavo”), a packing and marketing company listed on NASDAQ under the symbol CVGW. Calavo’s customers include many of the largest retail and foodservice companies in the United States and Canada. The Company’s avocados are packed by Calavo, sold and distributed under Calavo brands to its customers primarily in the United States and Canada.

The unaudited interim consolidated financial statements include the accounts of the Company and the accounts of all the subsidiaries and investments in which a controlling interest is held by the Company. The unaudited interim consolidated financial statements represent the consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income (loss) and consolidated statements of cash flows of the Company and its wholly-owned subsidiaries. The Company’s subsidiaries include: Limoneira Land Company, Limoneira Company International Division, LLC, Limoneira Mercantile, LLC, Windfall Investors, LLC and Templeton Santa Barbara, LLC. All significant intercompany balances and transactions have been eliminated in consolidation. The Company considers the criteria established under the Financial Accounting Standards Board – Accounting Standards Code (“FASB ASC”) 810, *Consolidations,* and the effect of variable interest entities, in its consolidation process. These unaudited consolidated financial statements should be read in conjunction with the notes thereto included in this quarterly report.

2. Summary of Significant Accounting Policies

Recently Adopted Accounting Pronouncements

FASB ASU 2011-04, Fair Value Measurement (Topic 820).

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, which amends ASC 820, *Fair Value Measurement*. The amended guidance changes the wording used to describe many requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. The guidance provided in ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. The Company's adoption of these provisions in the second quarter of fiscal year 2012 did not have a material impact on the Company's financial statements.

Recent Accounting Pronouncements

FASB ASU 2011-05, Comprehensive Income (Topic 220).

In June 2011, the FASB issued guidance regarding the presentation of comprehensive income. The new standard requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new standard also requires presentation of adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The updated guidance is effective on a retrospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011.

Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

2. Summary of Significant Accounting Policies (continued)

In December 2011, the FASB issued ASU 2011-12, *Comprehensive Income (Topic 220),* to defer the effective date for those aspects of ASU 2011-05 relating to the presentation of reclassification adjustments out of accumulated other comprehensive income. The adoption of this standard will only impact the presentation of the Company's consolidated financial statements and will have no impact on the reported results of operations.

3. Fair Value Measurements

Under the FASB ASC 820, *Fair Value Measurement and Disclosures*, a fair value measurement is determined based on the assumptions that a market participant would use in pricing an asset or liability. A three-tiered hierarchy draws distinctions between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3).

The following table sets forth the Company's financial assets and liabilities as of April 30, 2012, that are measured on a recurring basis during the period, segregated by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Available- for -sale securities	$19,072,000	$–	$ –	$19,072,000
Liabilities at fair value:				
Derivatives	$–	$3,512,000	$ –	$3,512,000

Available-for-sale securities consist of marketable securities in Calavo common stock. The Company currently owns approximately 4.5% of Calavo's outstanding common stock. These securities are measured at fair value by quoted market prices. Calavo's stock price at April 30, 2012 was $28.68 per share.

Derivatives consist of interest rate swaps, the fair values of which are estimated using industry-standard valuation models. Such models project future cash flows and discount the future amounts to a present value using market-based observable inputs. The fair value of the interest rate swaps is included in other long-term liabilities in the consolidated balance sheets.

4. Accounts Receivable

The Company grants credit in the course of its operations to customers, cooperatives, companies and lessees of the Company's facilities. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. The Company provides allowances on its receivables, as required, based on accounts receivable aging and certain other factors. At April 30, 2012 and October 31, 2011, the allowances totaled $131,000 and $65,000, respectively.

The Company's primary concentrations of credit risk at April 30, 2012 consists of $892,000 due from a domestic exporter for lemons and $777,000 due from a third-party packinghouse for oranges and specialty citrus. In aggregate, sales to these two customers were 18% and 19% of total revenues in the three and six months ended April 30, 2012, respectively. The Company sells all of its avocado production to Calavo.

5. Real Estate Development Assets

Real estate development assets consist of the following:

	April 30, 2012	October 31, 2011
East Areas 1 and 2	$45,746,000	$44,431,000
Templeton Santa Barbara, LLC	9,831,000	9,325,000
Windfall Investors, LLC	18,841,000	18,867,000
	$74,418,000	$72,623,000

Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

5. Real Estate Development Assets (continued)

East Areas 1 and 2

In fiscal year 2005, the Company began capitalizing the costs of two real estate development projects east of Santa Paula, California, for the development of 550 acres of land into residential units, commercial buildings and civic facilities. During the three months ended April 30, 2012 and 2011, the Company capitalized $606,000 and $1,323,000, respectively, of costs related to these projects. During the six months ended April 30, 2012 and 2011, the Company capitalized $1,315,000 and $1,998,000, respectively, of costs related to these projects. Additionally, in relation to these projects, the Company has incurred net expenses of $33,000 and $41,000 in the three months ended April 30, 2012 and 2011, respectively, and $39,000 and $56,000 in the six months ended April 30, 2012 and 2011, respectively.

Templeton Santa Barbara, LLC

The four real estate development parcels within the Templeton Santa Barbara, LLC project (the “Templeton Project”) are described as Centennial Square (“Centennial”), The Terraces at Pacific Crest (“Pacific Crest”), Sevilla and East Ridge.

In February 2010, the Company and HM Manager, LLC formed a limited liability company, HM East Ridge, LLC (“East Ridge”), for the purpose of developing the East Ridge parcel. The Company’s initial capital contribution into East Ridge was the land parcel with a net carrying value of $7,207,000. The Company made cash contributions of $44,000 to East Ridge during each of the three month periods ended April 30, 2012 and 2011 and $88,000 during each of the six month periods ended April 30, 2012 and 2011. Since the Company has significant influence over, but less than a controlling interest in, East Ridge, the Company is accounting for its investment in East Ridge using the equity method of accounting and the investment is included in equity in investments in the Company’s consolidated balance sheets.

In December 2011, the Company resumed real estate development activities on Centennial, Pacific Crest and Sevilla after a period of being idle. During the three months ended April 30, 2012 and 2011, the Company capitalized

$309,000 and zero, respectively, of costs related to these real estate parcels. During the six months ended April 30, 2012 and 2011, the Company capitalized $506,000 and zero, respectively, of costs related to these real estate parcels. Additionally, in relation to these parcels, the Company incurred expenses of $3,000 and $83,000 in the three months ended April 30, 2012 and 2011, respectively and $16,000 and $117,000 in the six months ended April 30, 2012 and 2011, respectively. The net carrying values of Centennial, Pacific Crest and Sevilla at April 30, 2012 were $2,608,000, $2,958,000 and $4,265,000, respectively, and at October 31, 2011 were $2,433,000, $2,800,000 and $4,092,000, respectively.

Windfall Investors, LLC

On November 15, 2009, the Company acquired Windfall Investors, LLC, which included $16,842,000 of real estate development assets. During the three months ended April 30, 2012 and 2011, the Company capitalized $167,000 and $245,000, respectively, of costs related to this real estate development project. During the six months ended April 30, 2012 and 2011, the Company capitalized $402,000 and $530,000, respectively, of costs related to this real estate development project. In March 2012, Windfall Investors, LLC received $428,000 of insurance proceeds for wind damage to roofs, reducing the capitalized costs of this project at April 30, 2012. Repairs commenced in May 2012. Additionally, in relation to this project, the Company has incurred net expenses of $164,000 and $195,000, in the three months ended April 30, 2012 and 2011, respectively, and $349,000 and $352,000 in the six months ended April 30, 2012 and 2011, respectively.

Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

6. Investment in Calavo Growers, Inc.

In June 2005, the Company entered into a stock purchase agreement with Calavo. Pursuant to this agreement, the Company purchased 1,000,000 shares, or approximately 6.9%, of Calavo's common stock for $10,000,000 and Calavo purchased 172,857 shares, or approximately 15.1%, of the Company's common stock for $23,450,000. Under the terms of the agreement, the Company received net cash consideration of $13,450,000.

In fiscal year 2009, the Company sold 335,000 shares of Calavo stock for a total of $6,079,000, recognizing a gain of $2,729,000. The Company has classified its marketable securities investment as available-for-sale. Additionally, changes in the fair value of the available-for-sale securities result in unrealized holding gains or losses for the remaining shares held by the Company. The Company recorded unrealized holding gains (losses) of $984,000 ($592,000 net of tax) and ($1,383,000) (($833,000), net of tax), during the three months ended April 30, 2012 and 2011, respectively. The Company recorded unrealized holding gains (losses) of $4,063,000 ($2,446,000 net of tax) and ($599,000) (($362,000) net of tax), during the six months ended April 30, 2012 and 2011, respectively.

7. Notes Receivable

To finance tenant improvements in connection with the lease of a retail facility, the Company recorded a note receivable in May 2007 of $350,000. This note is unsecured and originally matured in May 2012. In April 2012, the borrower exercised an option to extend the note an additional five years.

In connection with the Company's stock grant program, the Company has recorded total notes receivable and accrued interest from certain related parties of $57,000 and $92,000 at April 30, 2012 and October 31, 2011, respectively.

8. Other Assets

Other assets consist of the following:

	April 30, 2012	October 31, 2011
Investments in mutual water companies	$1,765,000	$1,480,000
Acquired water and mineral rights	1,536,000	1,536,000
Definite-lived intangibles and other assets	1,474,000	1,293,000
Revolving funds and memberships	358,000	373,000
	$5,133,000	$4,682,000

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Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

9. Long-Term Debt

Long-term debt is comprised of the following:

	April 30, 2012	October 31, 2011
Rabobank revolving credit facility secured by property with a net book value of $12,260,000 at April 30, 2012 and October 31, 2011. The interest rate is variable based on the one-month London Interbank Offered Rate (LIBOR), which was 0.24% at April 30, 2012 plus 1.50%. Interest is payable monthly and the principal is due in full in June 2018.	$62,008,000	$53,802,000
Farm Credit West term loan secured by property with a net book value of $11,632,000 at April 30, 2012 and $11,638,000 at October 31, 2011. The interest rate is variable and was 3.25% at April 30, 2012. The loan is payable in quarterly installments through November 2022.	5,978,000	6,208,000
Farm Credit West term loan secured by property with a net book value of $11,632,000 at April 30, 2012 and $11,638,000 at October 31, 2011. The interest rate is variable and was 3.25% at April 30, 2012. The loan is payable in monthly installments through May 2032.	877,000	892,000
Farm Credit West non-revolving line of credit secured by property with a net book value of $3,852,000 at April 30, 2012 and $3,839,000 at October 31, 2011. The interest rate is variable and was 3.50% at April 30, 2012. Interest is payable monthly and the principal is due in full in May 2013 (replaced with new non-revolving line of credit maturing May 2018).	12,966,000	12,966,000
Farm Credit West term loan secured by property with a net book value of $18,841,000 at April 30, 2012 and $18,867,000 at October 31, 2011. The interest rate is fixed at 3.65% until	8,891,000	9,003,000

November 2014, becoming variable for the remainder of the loan. The loan is payable in monthly installments through October 2035.		
Subtotal	90,720,000	82,871,000
Less current portion	748,000	736,000
Total long-term debt, less current portion	$89,972,000	$82,135,000

In November 2011, the Company entered into a Second Amendment to Amended and Restated Line of Credit Agreement dated as of December 15, 2008, between the Company and Rabobank in order to (i) increase the revolving line of credit from $80,000,000 to the lesser of $100,000,000 or 60% of the appraised value of any real estate pledged as collateral, which was $87,000,000 at April 30, 2012, (ii) amend the interest rate such that the line of credit bears interest equal to LIBOR plus 1.80% effective July 1, 2013 and (iii) extend the maturity date from June 30, 2013 to June 30, 2018. The Company is subject to an annual financial covenant and certain other restrictions measured at its fiscal year end.

On May 1, 2012, the Company entered into a new non-revolving line of credit facility with Farm Credit West (the "New Loan Agreement"), replacing the existing non-revolving line of credit. The terms of the New Loan Agreement are substantially similar to the existing line of credit including a commitment of $13,000,000 and monthly interest only payments at a variable rate, which was 3.50% as of May 1, 2012. The New Loan Agreement extends the maturity date from May 2013 until May 2018, removes Windfall Farms, LLC as a borrower under the agreement and requires the Company remit to Farm Credit West special principal payments of a minimum of $175,000 per lot sold on the Windfall Investors, LLC real estate development project.

Interest is capitalized on non-bearing orchards, real estate development projects and significant construction in progress. The Company capitalized interest of $665,000 and $549,000 during the three months ended April 30, 2012 and 2011, respectively and $1,372,000 and $1,148,000 during the six months ended April 30, 2012 and 2011, respectively. Capitalized interest is included in property, plant and equipment and real estate development assets in the Company's consolidated balance sheets.

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Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

10. Derivative Instruments and Hedging Activities

The Company enters into interest rate swaps to minimize the risks and costs associated with its financing activities. Derivative financial instruments are as follows:

	Notional Amount		Fair Value Liability	
	April 30, 2012	October 31, 2011	April 30, 2012	October 31, 2011
Pay fixed-rate, receive floating-rate interest rate swap, maturing June 2013	$42,000,000	$42,000,000	$1,727,000	$2,352,000
Pay fixed-rate, receive floating-rate forward interest rate swap, beginning July 2013 until June 2018	$40,000,000	$-	$1,785,000	$-

In April 2010, the Company cancelled two interest rate swaps with notional amounts of $10,000,000 each and amended the remaining interest rate swap from a notional amount of $22,000,000 to a notional amount of $42,000,000. This remaining interest rate swap was also amended to a pay-fixed rate of 3.63%, which is 62 basis points lower than the original pay-fixed rate. The receive floating-rate and maturity date of the amended interest rate swap remain unchanged. The Company did not incur any out-of-pocket fees related to the cancellation or amendment of these interest rate swaps.

These interest rate swaps previously qualified as cash flow hedges and were accounted for as hedges under the short-cut method. On the amendment date of the swap agreements, the fair value liability and the related accumulated other comprehensive loss balance was $2,015,000. The accumulated other comprehensive loss balance is being amortized and included in interest income from derivative instruments over the remaining period of the original swap agreements. Amortization for each of the three month periods ended April 30, 2012 and 2011 was $135,000. Amortization for the six month periods ended April 30, 2012 and 2011 was $270,000 and $289,000, respectively. The remaining accumulated other comprehensive loss balance is $632,000, net of amortization of $1,383,000 at April 30, 2012.

As a result of the re-negotiated terms of the derivatives above, the remaining interest rate swap with a notional amount of $42,000,000 no longer qualified for hedge accounting as of April 30, 2010. Therefore, mark to market adjustments to the underlying fair value liability are being recorded in interest income (expense) from derivative instruments and the liability balance continues to be recorded in other long-term liabilities in the Company's consolidated balance sheets. The mark to market adjustments recognized by the Company during the three month periods ended April 30, 2012 and 2011 resulted in non-cash interest income of $331,000 and $173,000, respectively. The mark to market adjustments recognized by the Company during the six month periods ended April 30, 2012 and 2011 resulted in non-cash interest income of $625,000 and $804,000, respectively.

In November 2011, the Company entered into a forward interest rate swap agreement with Rabobank International, Utrecht to fix the interest rate at 4.30% on $40,000,000 of its outstanding borrowings under the Rabobank line of credit beginning July 2013 until June 2018. This interest rate swap qualifies as a cash flow hedge and is accounted for as a hedge under the short-cut method. Therefore, the fair value adjustments to the underlying debt are deferred and included in accumulated other comprehensive income (loss) and the liability is being recorded in other long-term liabilities in the Company's consolidated balance sheet at April 30, 2012.

11. Basic and Diluted Net Income per Share

Basic net income per common share is calculated using the weighted-average number of common shares outstanding during the period without consideration of the dilutive effect of stock-based compensation. Diluted net income per common share is calculated using the weighted-average number of common shares outstanding plus the dilutive effect of stock-based compensation calculated using the treasury stock method. Diluted weighted-average shares were zero for each of the three month periods ended April 30, 2012 and 2011 and zero for each of the six month periods ended April 30, 2012 and 2011, respectively. The Series B convertible preferred shares are anti-dilutive.

Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

12. Related-Party Transactions

The Company rents certain of its residential housing assets to employees on a month-to-month basis. The Company recorded $144,000 and $141,000 of rental income from employees in the three months ended April 30, 2012 and 2011, respectively. The Company recorded $266,000 and $262,000 of rental income from employees in the six months ended April 30, 2012 and 2011, respectively. There were no rental payments due from employees at April 30, 2012 and October 31, 2011.

The Company has representation on the boards of directors of the mutual water companies in which the Company has investments. The Company recorded capital contributions and purchased water and water delivery services from such mutual water companies, in aggregate, of $127,000 and $84,000 in the three months ended April 30, 2012 and 2011, respectively. The Company recorded capital contributions and purchased water and water delivery services from such mutual water companies, in aggregate, of $657,000 and $400,000 in the six months ended April 30, 2012 and 2011, respectively. Such amounts are included in agribusiness expense in the Company's consolidated statements of operations. Payments due to the mutual water companies were, in aggregate, $307,000 and $25,000 at April 30, 2012 and October 31, 2011, respectively.

The Company has a presence on the board of directors of a non-profit cooperative association that provides pest control services for the agricultural industry. The Company purchased services and supplies of $53,000 and $114,000 from the association in the three months ended April 30, 2012 and 2011, respectively. The Company purchased services and supplies of $486,000 and $477,000 from the association in the six months ended April 30, 2012 and 2011, respectively. Such amounts are included in agribusiness expense in the Company's consolidated statements of operations. Payments due to the association were zero and $37,000 at April 30, 2012 and October 31, 2011, respectively.

The Company recorded dividend income of $366,000 in each of the six month periods ended April 30, 2012 and 2011, respectively, on its investment in Calavo, which is included in other income (expense), net in the Company's consolidated statements of operations. The Company had $601,000 and $369,000 of avocado sales to Calavo for the three months ended April 30, 2012 and 2011, respectively. The Company had $725,000 and $375,000 of avocado sales to Calavo for the six months ended April 30, 2012 and 2011, respectively. Such amounts are included in agribusiness revenues in the Company's consolidated statements of operations. Additionally, the Company leases office space to Calavo and received rental income of $66,000 and $62,000 in the three months ended April 30, 2012 and 2011, respectively. The Company received rental income from Calavo of $131,000 and $122,000 in the six months ended April 30, 2012 and 2011, respectively. Such amounts are included in rental revenues in the Company’s consolidated statements of operations.

Certain members of the Company’s Board of Directors market lemons through the Company pursuant to its customary marketing agreements. During the three months ended April 30, 2012 and 2011, the aggregate amount of lemons procured from entities owned or controlled by members of the Board of Directors was $388,000 and $307,000, respectively, During the six months ended April 30, 2012 and 2011, the aggregate amount was $473,000 and $341,000, respectively. Such amounts are included in agribusiness expense in the accompanying consolidated statements of operations. Payments due to these Board members were $266,000 and $125,000 at April 30, 2012 and October 31, 2011, respectively.

Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

13. Income Taxes

The Company's projected annual effective tax rate for fiscal year 2012 is approximately 34.0%. As such, a 34.3% effective tax rate, after certain discrete items, was utilized by the Company for the second quarter of fiscal year 2012 to calculate its income tax provision.

There has been no material change to the Company's uncertain tax position for the three and six month periods ended April 30, 2012. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. The Company has not accrued any interest and penalties associated with uncertain tax positions as of April 30, 2012 and October 31, 2011.

14. Retirement Plans

The Limoneira Company Retirement Plan (the "Plan") is a noncontributory, defined benefit, single employer pension plan, which provides retirement benefits for all eligible employees of the Company. Benefits paid by the Plan are calculated based on years of service, highest five-year average earnings, primary Social Security benefit and retirement age. Effective June 2004, the Company froze the Plan and no additional benefits accrued to participants subsequent to that date. The Plan is administered by City National Bank and Mercer Human Resource Consulting.

The Plan is funded consistent with the funding requirements of federal law and regulations. There were funding contributions of $159,000 and $121,000 during the three month periods ended April 30, 2012 and 2011, respectively, and $266,000 and $121,000 during the six month periods ended April 30, 2012 and 2011, respectively.

The net periodic pension costs for the Plan for the three months ended April 30 were as follows:

	2012	2011
Service cost	$37,000	$37,000
Interest cost	201,000	213,000
Expected return on plan assets	(248,000)	(248,000)
Recognized actuarial loss	205,000	224,000
Net periodic pension cost	$195,000	$226,000

The net periodic pension costs for the Plan for the six months ended April 30 were as follows:

	2012	2011
Service cost	$73,000	$74,000
Interest cost	402,000	425,000
Expected return on plan assets	(495,000)	(497,000)
Recognized actuarial loss	409,000	449,000
Net periodic pension cost	$389,000	$451,000

Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

15. Other Long-term Liabilities

Other long-term liabilities consist of the following:

	April 30, 2012	October 31, 2011
Minimum pension liability	$5,188,000	$5,474,000
Fair value liability on derivatives	3,512,000	2,352,000
Other	54,000	66,000
	$8,754,000	$7,892,000

16. Stockholders' Equity

As of April 30, 2012, there are 7,810 shares of common stock issued to employees in connection with a discontinued stock option plan. Such shares are subject to repurchase by the Company and constitute a liability due to the repurchase obligation. Reductions of stock-based compensation of approximately $3,000 and $4,000 were recorded in the six months ended April 30, 2012 and 2011, respectively, to reflect the fair value of the repurchase obligation. In February 2012, the Company repurchased 7,500 shares for approximately $6,000 in accordance with this repurchase obligation. The repurchase obligation of $6,000 and $17,000 is included in other long-term liabilities in the Company's consolidated balance sheets at April 30, 2012 and October 31, 2011, respectively.

In January 2012, members of management exchanged 10,679 shares of common stock with a fair market value of $17.77 per share (at the date of the exchange) for the payment of payroll taxes associated with the vesting of shares under the Company's stock-based compensation programs. The Company recognized $137,000 and $101,000 of stock-based compensation to management during the three months ended April 30, 2012 and 2011, respectively. The Company recognized $273,000 and $327,000 of stock-based compensation to management during the six months ended April 30, 2012 and 2011, respectively.

In January 2012, 9,999 shares of common stock were granted to the Company’s non-employee directors under the Company’s stock-based compensation plans. The Company recognized zero stock-based compensation to non-employee directors during each of the three month periods ended April 30, 2012 and 2011. The Company recognized $180,000 of stock-based compensation to non-employee directors during each of the six month periods ended April 30, 2012 and 2011.

In February 2012, members of management exchanged 316 shares of common stock with a fair market value of $18.08 per share (at the date of the exchange) for the repayment of notes issued in relation to payroll taxes associated with the vesting of shares under the Company’s stock-based compensation programs.

On May 22, 2012, the Company’s board of directors authorized a donation of $100,000 of the Company’s common stock to the Museum of Ventura County (the “Museum”), a California non-profit corporation. The shares will be issued on June 30, 2012 and the number of shares will be based on the stock price on that date. The donation is to be used by the Museum to establish and operate an agriculture museum in Santa Paula, California depicting the history of agriculture in Ventura County.

Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

17. Segment Information

The Company operates in three reportable operating segments: agribusiness, rental operations and real estate development. The reportable operating segments of the Company are strategic business units with different products and services, distribution processes and customer bases. The agribusiness segment includes farming and citrus packing operations. The rental operations segment includes residential and commercial rental operations, leased land and organic recycling. The real estate development segment includes real estate development operations. The Company measures operating performance, including revenues and earnings, of its operating segments and allocates resources based on its evaluation. The Company does not allocate selling, general and administrative expense, other income (expense), interest expense and income tax expense, or specifically identify them to its operating segments.

Segment information for the three months ended April 30, 2012:

	Agribusiness	Rental Operations	Real Estate Development	Corporate and Other	Total
Revenues	$15,046,000	$1,006,000	$ 44,000	$–	$16,096,000
Costs and expenses	11,294,000	437,000	228,000	2,459,000	14,418,000
Depreciation and amortization	386,000	93,000	13,000	54,000	546,000
Operating income (loss)	$3,366,000	$476,000	$ (197,000)	$(2,513,000)	$1,132,000

Segment information for the three months ended April 30, 2011:

	Agribusiness	Rental Operations	Real Estate Development	Corporate and Other	Total
Revenues	$11,463,000	$ 996,000	$ 51,000	$–	$12,510,000
Costs and expenses	9,378,000	440,000	346,000	2,163,000	12,327,000
Depreciation and amortization	362,000	92,000	21,000	57,000	532,000

Impairment charges	–	–	1,196,000	–	1,196,000
Operating income (loss)	$ 1,723,000	$ 464,000	$ (1,512,000)	$ (2,220,000)	$ (1,545,000)

The following table sets forth revenues by category, by segment for the three months ended:

	April 30, 2012	April 30, 2011
Lemons	$ 12,398,000	$ 8,817,000
Avocados	601,000	369,000
Navel and Valencia oranges	788,000	849,000
Specialty citrus and other crops	1,259,000	1,428,000
Agribusiness revenues	15,046,000	11,463,000
Rental operations	579,000	565,000
Leased land	380,000	386,000
Organic recycling and other	47,000	45,000
Rental operations revenues	1,006,000	996,000
Real estate development revenues	44,000	51,000
Total revenues	$ 16,096,000	$ 12,510,000

Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

17. Segment Information (continued)

Segment information for the six months ended April 30, 2012:

	Agribusiness	Rental Operations	Real Estate Development	Corporate and Other	Total
Revenues	$24,248,000	$1,997,000	$ 88,000	$–	$26,333,000
Costs and expenses	22,322,000	913,000	463,000	5,177,000	28,875,000
Depreciation and amortization	748,000	185,000	26,000	107,000	1,066,000
Operating income (loss)	$1,178,000	$899,000	$ (401,000)	$(5,284,000)	$(3,608,000)

Segment information for the six months ended April 30, 2011:

	Agribusiness	Rental Operations	Real Estate Development	Corporate and Other	Total
Revenues	$16,338,000	$1,966,000	$107,000	$–	$18,411,000
Costs and expenses	16,618,000	911,000	614,000	5,054,000	23,197,000
Depreciation and amortization	760,000	181,000	43,000	116,000	1,100,000
Impairment of real estate assets	–	–	1,196,000	–	1,196,000
Operating (loss) income	$(1,040,000)	$874,000	$(1,746,000)	$(5,170,000)	$(7,082,000)

The following table sets forth revenues by category, by segment for the six months ended:

	April 30, 2012	April 30, 2011
Lemons	$20,165,000	$11,908,000
Avocados	725,000	375,000
Navel and Valencia oranges	1,288,000	1,793,000
Specialty citrus and other crops	2,070,000	2,262,000
Agribusiness revenues	24,248,000	16,338,000
Rental operations	1,138,000	1,115,000
Leased land	758,000	761,000
Organic recycling and other	101,000	90,000
Rental operations revenues	1,997,000	1,966,000
Real estate development revenues	88,000	107,000
Total revenues	$26,333,000	$18,411,000

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Limoneira Company

Notes to Consolidated Financial Statements (unaudited) (continued)

18. Sheldon Ranches Operating Leases

In January 2012, the Company entered into a series of operating leases for approximately 1,000 acres of lemon, orange, specialty citrus and other crop orchards in Lindsay, California. Each of the leases is for a ten-year term and provides for four five-year renewal options with an aggregate base rent of approximately $500,000 per year. The leases also contain profit share arrangements with the lessors as additional rent on each of the properties and a provision for the potential purchase of the properties by Limoneira in the future. In accordance with the terms of the lease agreements, Limoneira will not share in the citrus crop revenue in its fiscal year ending October 31, 2012. The Company incurred $115,000 and $159,000 of net lease expense in the three and six month periods ended April 30, 2012, respectively.

19. Agriculture Property Acquisitions

In April 2012, the Company purchased land for use as a citrus orchard and also entered into a separate agreement to acquire an additional citrus orchard for purchase prices of $430,000 and $800,000, respectively, paid or to be paid in cash. The acquisitions are for 60 and 65 acres of agricultural property, respectively, and both properties are located in close proximity to the Company’s existing orchards in Porterville, California. The acquired citrus orchard was accounted for as an asset purchase with substantially the entire purchase price allocated to land and included in property, plant and equipment on the Company’s consolidated balance sheet at April 30, 2012. The second acquisition was in escrow at April 30, 2012.

20. Subsequent Events

The Company has evaluated events subsequent to April 30, 2012 to assess the need for potential recognition or disclosure in this Quarterly Report on Form 10-Q. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the unaudited consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Limoneira Company was incorporated in Delaware in 1990 as the successor to several businesses with operations in California since 1893. We are an agribusiness and real estate development company founded and based in Santa Paula, California, committed to responsibly using and managing our approximately 7,910 acres of land, water resources and other assets to maximize long-term shareholder value. Our current operations consist of fruit production and marketing, real estate development and capital investment activities.

We are one of California's oldest citrus growers. According to Sunkist Growers, Inc. ("Sunkist"), we are one of the largest growers of lemons in the United States and, according to the California Avocado Commission, the largest grower of avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of specialty citrus and other crops. We have agricultural plantings throughout Ventura and Tulare counties in California, which plantings consist of approximately 1,910 acres of lemons, 1,250 acres of avocados, 1,810 acres of oranges and 675 acres of specialty citrus and other crops. We also operate our own packinghouse in Santa Paula, California, where we process and pack lemons that we grow, as well as lemons grown by others.

Our water resources include water rights, usage rights to the water in aquifers under, and canals that run through, the land we own. Water for our farming operations is sourced from the existing water resources associated with our land, which includes rights to water in the adjudicated Santa Paula Basin (aquifer) and the un-adjudicated Fillmore and Paso Robles Basins (aquifers). We also use ground water and water from local water districts in Tulare County, which is in the San Joaquin Valley.

For more than 100 years, we have been making strategic investments in California agribusiness and real estate development. We currently have six active real estate development projects in California. Our real estate developments range from apartments to single-family homes and include approximately 200 completed units and another approximately 2,000 units in various stages of planning and development.

Business Segment Summary

We have three business segments: agribusiness, rental operations and real estate development. Our agribusiness segment currently generates the majority of our revenue from its farming and lemon packing operations; our rental operations segment generates revenue from our housing, organic recycling and commercial and leased land operations and our real estate development segment generates revenue from the sale of real estate development projects. Generally, we see the Company as a land and farming company that generates annual cash flows to support its progress into diversified real estate development activities. As real estate development projects are monetized, our agribusiness will then be able to expand more rapidly into new regions and markets.

Agribusiness

We are one of the largest growers of lemons and the largest grower of avocados in the United States and, as a result, our agribusiness segment is the largest of our three segments, representing approximately 88%, 87% and 89% of our fiscal year 2011, 2010 and 2009 consolidated revenues, respectively. Our Company markets and sells lemons directly to foodservice, wholesale and retail customers throughout the United States, Canada, Asia and other international markets. During the three months ended April 30, 2012, lemon sales were comprised of approximately 75% to U.S. and Canada-based customers and 25% to domestic exporters. During the six months ended April 30, 2012, lemon sales were comprised of approximately 73% to U.S. and Canada-based customers and 27% to domestic exporters. Our Company is a member of Sunkist, an agricultural marketing cooperative, and sells its specialty citrus to Sunkist-licensed and other third-party packinghouses.

Historically, our agricultural operations have been seasonal in nature with the least amount of our annual revenue being generated in our first quarter, increasing in the second quarter, peaking in the third quarter and declining in the fourth quarter. Cultural costs in our agribusiness segment tend to be higher in the first and second quarters and lower in the third and fourth quarters because of the timing of expensing cultural costs in the current year that were inventoried in the prior year. Our harvest costs generally increase in the second quarter and peak in the third quarter coinciding with the increasing production and revenue.

Fluctuations in price are a function of global supply and demand with weather conditions, such as unusually low or high temperatures, typically having the most dramatic effect on the amount of lemons supplied in any individual growing season. We believe we have a competitive advantage by operating our own lemon packing operation, even though a significant portion of the costs related to our lemon packing operations are fixed. As a result, cost per carton is a function of fruit throughput. While we regularly monitor our costs for redundancies and opportunities for cost reductions, we also supplement the number of lemons we pack in our packinghouse with additional lemons from third-party growers. Because the fresh utilization rate for our lemons, or the percentage of lemons we harvest and pack that go to the fresh market, is directly related to the quality of lemons we pack and, consequently, the price we receive per 40-pound box, we only pack lemons from third-party growers if we determine their lemons are of high quality.

Our avocado producing business is important to us yet nevertheless faces some constraints on growth as there is little additional land that can be cost-effectively acquired to support new avocado orchards in Southern California. Also, avocado production is cyclical as avocados typically bear fruit on a bi-annual basis with large crops in one year followed by smaller crops the next year. While our avocado production remains volatile, the profitability and cash flow realized from our avocados frequently offsets occasional losses in other crops we grow and helps to diversify our fruit production base.

In addition to growing lemons and avocados, we also grow oranges and specialty citrus and other crops, typically utilizing land not suitable for growing high quality lemons. We regularly monitor the demand for the fruit we grow in the ever-changing marketplace to identify trends. For instance, while per capita consumption of oranges in the United States has been decreasing since 2000 primarily as a result of consumers increasing their consumption of mandarin oranges and other specialty citrus, the international market demand for U.S. oranges has increased. As a result, we have focused our orange production on high quality late season Navel and Valencia oranges primarily for export to Japan, China and Korea, which are typically highly profitable niche markets. We produce our specialty citrus and other crops in response to consumer trends we identify and believe that we are a leader in the niche production and sale of certain of these high margin fruits. Because we carefully monitor the respective markets of specialty citrus and other crops, we believe that demand for the types and varieties of specialty citrus and other crops that we grow will continue to increase throughout the world.

Rental Operations

Our rental operations segment represented approximately 7% of our fiscal year 2011 and 2010 consolidated revenues and approximately 11% of our fiscal year 2009 consolidated revenues. Our rental housing units generate reliable cash flows which we use to partially fund the operations of all three of our business segments, and provide affordable housing to many of our employees, including our agribusiness employees, a unique employment benefit that helps us maintain a dependable, long-term employee base. In addition, our leased land business provides us with a typically profitable diversification. Revenue from our rental operations segment is generally level throughout the year.

Real Estate Development

Our real estate development segment represented 5% of our consolidated revenues in fiscal year 2011, 6% of our consolidated revenues in fiscal year 2010 and less than 1% of our consolidated revenues in fiscal year 2009. We recognize that long-term strategies are required for successful real estate development activities. We plan to redeploy any financial gains into other income producing real estate as well as additional agricultural properties.

Recent Developments

In January 2012, our Company entered into a series of operating leases for approximately 1,000 acres of lemon, orange, specialty citrus and other crop orchards in Lindsay, California. Each of the leases is for a ten-year term and provides for four five-year renewal options with an aggregate base rent of approximately $500,000 per year. The leases also contain profit share arrangements with the lessors as additional rent on each of the properties and a provision for the potential purchase of the properties by Limoneira in the future. In accordance with the terms of the lease agreements, Limoneira will not share in the citrus crop revenue in its fiscal year ended October 31, 2012. During the three and six months ended April 30, 2012, we incurred $115,000 and $159,000, respectively, of net lease expense related to these leases.

On March 26, 2012, we declared a $0.03125 per share dividend paid on April 16, 2012 in the aggregate amount of $350,000 to common shareholders of record on April 9, 2012.

In April 2012, we purchased land for use as a citrus orchard and also entered into a separate agreement to acquire an additional citrus orchard for purchase prices of $430,000 and $800,000, respectively, paid or to be paid in cash. The acquisitions are for 60 and 65 acres of agricultural property, respectively, and both properties are located in close proximity to our existing orchards in Porterville, California. The acquired citrus orchard was accounted for as an asset purchase with substantially the entire purchase price allocated to land and included in property, plant and equipment on our consolidated balance sheet at April 30, 2012. The second acquisition was in escrow at April 30, 2012.

Results of Operations

The following table shows the results of operations for the three and six months ended April 30:

	Quarter Ended April 30,		Six Months Ended April 30,	
	2012	2011	2012	2011
Revenues:				
Agribusiness	$15,046,000	$11,463,000	$24,248,000	$16,338,000
Rental operations	1,006,000	996,000	1,997,000	1,966,000
Real estate development	44,000	51,000	88,000	107,000
Total revenues	16,096,000	12,510,000	26,333,000	18,411,000
Costs and expenses:				
Agribusiness	11,680,000	9,740,000	23,070,000	17,378,000
Rental operations	530,000	532,000	1,098,000	1,092,000
Real estate development	241,000	367,000	489,000	657,000
Impairments of real estate development assets	-	1,196,000	-	1,196,000
Selling, general and administrative	2,513,000	2,220,000	5,284,000	5,170,000
Total costs and expenses	14,964,000	14,055,000	29,941,000	25,493,000
Operating income (loss):				
Agribusiness	3,366,000	1,723,000	1,178,000	(1,040,000)
Rental operations	476,000	464,000	899,000	874,000
Real estate development	(197,000)	(1,512,000)	(401,000)	(1,746,000)
Selling, general and administrative	(2,513,000)	(2,220,000)	(5,284,000)	(5,170,000)
Operating income (loss)	1,132,000	(1,545,000)	(3,608,000)	(7,082,000)
Other income (expense):				
Interest expense	(71,000)	(268,000)	(246,000)	(622,000)
Interest income from derivative instruments	196,000	38,000	355,000	515,000
Gain on sale of Rancho Refugio/Caldwell Ranch	-	1,351,000	-	1,351,000
Interest income and other	(110,000)	(7,000)	260,000	359,000
Total other income	15,000	1,114,000	369,000	1,603,000
Income tax (provision) benefit	(385,000)	197,000	1,195,000	1,909,000
Equity in losses of investments	(25,000)	(30,000)	(28,000)	(21,000)
Net income (loss)	$737,000	$(264,000)	$(2,072,000)	$(3,591,000)

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Non-GAAP Financial Measures

Due to significant depreciable assets associated with the nature of our operations and interest costs associated with our capital structure, management believes that earnings before interest, income taxes, depreciation and amortization (“EBITDA”) and adjusted EBITDA, which excludes impairments on real estate development assets, is an important measure to evaluate our results of operations between periods on a more comparable basis. Such measurements are not prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and should not be construed as an alternative to reported results determined in accordance with GAAP. The non-GAAP information provided is unique to our Company and may not be consistent with methodologies used by other companies. EBITDA and adjusted EBITDA are summarized and reconciled to net loss which management considers to be the most directly comparable financial measure calculated and presented in accordance with GAAP as follows:

	Quarter ended April 30,		Six Months Ended April 30,	
	2012	2011	2012	2011
Net income (loss)	$737,000	$(264,000)	$(2,072,000)	$(3,591,000)
Total interest (income) expense, net	(152,000)	203,000	(161,000)	51,000
Income taxes	385,000	(197,000)	(1,195,000)	(1,909,000)
Depreciation and amortization	546,000	532,000	1,066,000	1,100,000
EBITDA	1,516,000	274,000	(2,362,000)	(4,349,000)
Impairments of real estate development assets	-	1,196,000	-	1,196,000
Adjusted EBITDA	$1,516,000	$1,470,000	$(2,362,000)	$(3,153,000)

Second Quarter Fiscal Year 2012 Compared to Second Quarter Fiscal Year 2011

Revenues

Total revenue for the second quarter of fiscal year 2012 was $16.1 million compared to $12.5 million for the second quarter of fiscal year 2011. The 29% increase of $3.6 million was primarily the result of increased agribusiness revenue, as detailed below:

	Agribusiness Revenues for the Quarters Ended April 30,			
	2012	2011	Change	
Lemons	$12,398,000	$8,817,000	$3,581,000	41%

Avocados	601,000	369,000	232,000	63%
Navel and Valencia oranges	788,000	849,000	(61,000)	(7%)
Specialty citrus and other crops	1,259,000	1,428,000	(169,000)	(12%)
Agribusiness revenues	$15,046,000	$11,463,000	$3,583,000	31%

- Lemons: The increase in the second quarter of fiscal year 2012 was primarily the result of increased volume of fresh lemons sold at higher prices. During the second quarters of fiscal years 2012 and 2011, fresh lemon sales were $11.1 million and $7.9 million, respectively, on 688,000 and 586,000 cartons of lemons sold at average per carton prices of $16.13 and $13.48, respectively. Additionally, lemon by-product and other lemon sales were $1.3 million in the second quarter of fiscal year 2012 compared to $0.9 million during the same period in fiscal year 2011. The higher average per carton prices in fiscal year 2012 compared to fiscal year 2011were primarily due to more favorable overall market conditions.

- Avocados: The increase in the second quarter of fiscal year 2012 was primarily the result of increased volume, partially offset by lower prices. The California avocado crop typically experiences alternating years of high and low production due to plant physiology. During the second quarter of fiscal year 2012, 0.6 million pounds of avocados were sold at an average per pound price of $1.00 compared to 0.3 million pounds sold at an average per pound price of $1.23 during the same period in fiscal year 2011.

- Specialty citrus and other crops: The decrease in the second quarter of fiscal year 2012 was primarily the result of decreased volume of specialty citrus sold at lower prices. During the second quarter of fiscal year 2012, 83,000 field boxes of specialty citrus were sold at an average per field box price of $15.17 compared to 91,000 field boxes sold at an average per field box price of $15.69 during the same period in fiscal year 2011.

Costs and Expenses

Our total costs and expenses in the second quarter of fiscal year 2012 were $15.0 million compared to $14.1 million in the second quarter of fiscal year 2011, for a 6% increase of $0.9 million. This increase was primarily attributable to increases in our agribusiness costs and selling, general and administrative expenses, offset by a decrease in impairments of real estate development assets. Costs associated with our agribusiness include packing costs, harvest costs, cultural costs, costs related to the lemons we process and sell for third-party growers and depreciation expense. These costs are discussed further below:

	Agribusiness Costs and Expenses for the Quarters Ended April 30,			
	2012	2011	Change	
Packing costs	$3,307,000	$2,805,000	$502,000	18%
Harvest costs	1,648,000	1,827,000	(179,000)	(10)%
Cultural costs	2,167,000	2,181,000	(14,000)	1%
Third-party grower costs	4,172,000	2,565,000	1,607,000	63%
Depreciation and amortization	386,000	362,000	24,000	7%
Agribusiness costs and expenses	$11,680,000	$9,740,000	$1,940,000	20%

- Packing costs: The increase in the second quarter of fiscal year 2012 was primarily attributable to a higher volume of fresh lemons packed and sold compared to the same period in fiscal year 2011.

- Harvest costs: The decrease in the second quarter of fiscal year 2012 was primarily attributable to lower Navel and Valencia orange and specialty citrus harvest volumes, partially offset by higher avocado harvest volume compared to the same period in fiscal year 2011.

- Third-party grower costs: The increase in the second quarter of fiscal year 2012 was primarily attributable to higher sales volumes of fresh lemons and a higher percentage of third-party grower lemons relative to the total volume of cartons sold, which directly relates to amounts expensed and paid to third-party growers.

Impairments of real estate development assets in the second quarter of fiscal year 2012 were zero compared to $1.2 million in the second quarter of fiscal year 2011. In the second quarter of fiscal year 2011, we recorded impairment charges on two of our real estate development projects: 6037 East Donna Circle, LLC, which was sold in May 2011, and Templeton Santa Barbara, LLC, which has not shown any further indicators of impairment.

Selling, general and administrative costs in the second quarter of fiscal year 2012 were $2.5 million compared to $2.2 million for the second quarter of fiscal year 2011. This 14% increase of $0.3 million is primarily due to a $0.1 million increase in selling expenses, a $0.1 million increase in incentive compensation and $0.1 million of net increases in other selling, general and administrative expenses.

Other Income/Expense

Other income/expense for the second quarter of fiscal year 2012 was $15,000 of income compared to $1.1 million of income for the second quarter of fiscal year 2011. The $1.1 million decrease in net other income is primarily due to the $1.4 million gain on the sale of Rancho Refugio/Caldwell Ranch during the second quarter of fiscal year 2011 partially offset by a decrease in interest expense in the second quarter of fiscal year 2012 as a result of a larger amount of capitalized interest related to our real estate development projects as well as an increase in interest income from derivative instruments in the second quarter of fiscal year 2012.

Income Taxes

We recorded an estimated income tax provision of $0.4 million in the second quarter of fiscal year 2012 on pre-tax earnings of $1.1 million compared to an estimated income tax benefit of $0.2 million on a pre-tax loss of $0.5 million in the second quarter of fiscal year 2011.

Our projected annual effective tax rate for fiscal year 2012 is 34.0% at April 30, 2012, resulting in a 34.3% effective tax rate, after certain discrete items, for the second quarter of fiscal year 2012. In comparison, our projected annual effective tax rate was 34.7% at April 30, 2011, resulting in a 42.7% effective tax rate, after certain discrete items, for the second quarter of fiscal year 2011.

Six Months Ended April 30, 2012 Compared to the Six Months Ended April 30, 2011

Revenues

Total revenue for the six months ended April 30, 2012 was $26.3 million compared to $18.4 million for the six months ended April 30, 2011. The 48% increase of $7.9 million was primarily the result of increased agribusiness revenues as detailed below:

	Agribusiness Revenues for the Six Months Ended April 30,			
	2012	2011	Change	
Lemons	$20,165,000	$11,908,000	$8,257,000	69%
Avocados	725,000	375,000	350,000	93%
Navel and Valencia oranges	1,288,000	1,793,000	(505,000)	(28)%
Specialty citrus and other crops	2,070,000	2,262,000	(192,000)	(8)%
Agribusiness revenues	$24,248,000	$16,338,000	$7,910,000	48%

- Lemons: The increase in the first six months of fiscal year 2012 was primarily the result of increased volume of fresh lemons sold at higher prices. During the first six months of fiscal years 2012 and 2011, fresh lemon sales were $18.3 million and $10.8 million , respectively, on 1,103,000 and 761,000 cartons of lemons sold at average per carton prices of $16.59 and $14.19, respectively. Additionally, lemon by-product and other lemon sales were $1.9 million in the first six months of fiscal year 2012 compared to $1.1 million during the same period in fiscal year 2011. The higher average per carton prices in fiscal year 2012 compared to fiscal year 2011 were primarily due to more favorable overall market conditions.

- Avocados: The increase in the first six months of fiscal year 2012 was primarily the result of increased volume, partially offset by lower prices. The California avocado crop typically experiences alternating years of high and low production due to plant physiology. During the first six months of fiscal year 2012, 0.8 million pounds of avocados were sold at an average per pound price of $0.91 per pound compared to 0.4 million pounds sold at an average per pound price of $1.00 during the same period in fiscal year 2011.

- Navel and Valencia oranges: The decrease in the first six months of fiscal year 2012 was primarily the result of decreased volume, partially offset by higher prices. During the first six months of fiscal year 2012, 154,000 field boxes of oranges were sold at an average per field box price of $8.36 compared to 242,000 field boxes sold at an average per field box price of $7.41 during the same period in fiscal year 2011.

Costs and Expenses

Total costs and expenses for the six months ended April 30, 2012 were $29.9 million compared to $25.5 million for the six months ended April 30, 2011, for a 17% increase of $4.4 million. Of this increase, $5.8 million was attributable to increases in our agribusiness costs and selling, general and administrative expenses, partially offset by a $1.2 million decrease in impairments of real estate development assets. Costs associated with our agribusiness include packing costs, harvest costs, cultural costs, costs related to the lemons we process for third-party growers and depreciation expense. These costs are discussed further below:

	Agribusiness Costs and Expenses for the Six Months Ended April 30,			
	2012	2011	Change	
Packing costs	$5,937,000	$4,574,000	$1,363,000	30%
Harvest costs	2,367,000	2,906,000	(539,000)	(19)%
Cultural costs	5,133,000	4,850,000	283,000	6%
Third-party grower costs	8,885,000	4,291,000	4,594,000	107%
Depreciation and amortization	748,000	757,000	(9,000)	(1)%
Agribusiness costs and expenses	$23,070,000	$17,378,000	$5,692,000	33%

- Packing costs: The increase in the first six months of fiscal year 2012 is primarily attributable to a higher volume of fresh lemons packed and sold compared to the same period in fiscal year 2011.

- Harvest costs: The decrease in the first six months of fiscal year 2012 is primarily attributable to lower Navel and Valencia orange harvest volumes partially offset by higher avocado harvest volume.

- Third-party grower costs: The increase in the first six months of fiscal year 2012 is primarily attributable to higher sales volumes of fresh lemons and a higher percentage of third-party growers relative to the total volume of fresh cartons sold, which directly relates to amounts expensed and paid to third-party growers.

Impairments of real estate development assets were zero in the six months ended April 30, 2012 compared to $1.2 million for the six months ended April 30, 2011. In the first six months of fiscal year 2011, we recorded impairment charges on two of our real estate development projects: 6037 East Donna Circle, LLC, which was sold in May 2011, and Templeton Santa Barbara, LLC, which has not shown any further indicators of impairment.

Selling, general and administrative expenses for the six months ended April 30, 2012 were $5.3 million compared to $5.2 million for the same period in fiscal year 2011. This 2% increase of $0.1 million was primarily attributable to a $0.1 million increase in selling expenses, a $0.1 million increase in consulting fees and a $0.1 million increase in incentive compensation. These increases were partially offset by a $0.1 million decrease in costs associated with obligations under the Securities Exchange Act of 1934 (the "Exchange Act") and $0.1 million of net decreases in other selling, general and administrative expenses.

Other Income/Expense

Other income (expense) for the six months ended April 30, 2012 was $0.4 million of income compared to $1.6 million of income for the same period in fiscal year 2011. The $1.2 million decrease in net other income is primarily due to the $1.4 million gain on the sale of Rancho Refugio/Caldwell Ranch and higher interest income from derivative instruments during the first six months of fiscal year 2011 partially offset by a decrease in interest expense in the first six months of fiscal year 2012 as a result of a larger amount of capitalized interest related to our real estate development projects.

Income Taxes

We recorded an estimated income tax benefit of $1.2 million in the six months ended April 30, 2012 on a pre-tax loss of $3.3 million compared to an estimated income tax benefit of $1.9 million on a pre-tax loss of $5.5 million in the six months ended April 30, 2011.

Our projected annual effective tax rate for fiscal year 2012 is 34.0% at April 30, 2012, resulting in a 36.6% effective tax rate, after certain discrete items, for the six months ended April 30, 2012. In comparison, our projected annual effective tax rate was 34.8% at April 30, 2011, resulting in a 34.7% effective tax rate, after certain discrete items, for the six months ended April 30, 2011.

Segment Results of Operations

We evaluate the performance of our agribusiness, rental operations and real estate development segments separately to monitor the different factors affecting financial results. Each segment is subject to review and evaluations for current market conditions, market opportunities and available resources. The following table shows the segment results of operations for the second quarter and six months ended April 30, 2012 and 2011:

	Quarter Ended April 30,				Six Months Ended April 30,			
	2012		2011		2012		2011	
Revenues:								
Agribusiness	$15,046,000	93%	$11,463,000	91%	$24,248,000	92%	$16,338,000	89%
Rental operations	1,006,000	6%	996,000	8%	1,997,000	7%	1,966,000	10%
Real estate development	44,000	1%	51,000	1%	88,000	1%	107,000	1%
Total revenues	16,096,000	100%	12,510,000	100%	26,333,000	100%	18,411,000	100%
Costs and expenses:								
Agribusiness	11,680,000	78%	9,740,000	69%	23,070,000	77%	17,378,000	68%
Rental operations	530,000	4%	532,000	4%	1,098,000	4%	1,092,000	5%
Real estate development	241,000	1%	1,563,000	11%	489,000	1%	1,853,000	7%
Corporate and other	2,513,000	17%	2,220,000	16%	5,284,000	18%	5,170,000	20%
Total costs and expenses	14,964,000	100%	14,055,000	100%	29,941,000	100%	25,493,000	100%
Operating income (loss):								
Agribusiness	3,366,000		1,723,000		1,178,000		(1,040,000)	
Rental operations	476,000		464,000		899,000		874,000	
Real estate development	(197,000)		(1,512,000)		(401,000)		(1,746,000)	
Corporate and other	(2,513,000)		(2,220,000)		(5,284,000)		(5,170,000)	
Total operating income (loss)	$1,132,000		$(1,545,000)		$(3,608,000)		$(7,082,000)	

Second Quarter of Fiscal Year 2012 Compared to the Second Quarter of Fiscal Year 2011

The following analysis should be read in conjunction with the previous section "Results of Operations".

Agribusiness

For the second quarter of fiscal year 2012, our agribusiness segment revenue was $15.0 million compared to $11.5 million for the second quarter of fiscal year 2011. The 30% increase of $3.5 million primarily reflected higher lemon revenue for the fiscal year 2012 second quarter compared to the fiscal year 2011 second quarter. The increase in agribusiness revenue consists of the following:

- Lemon revenue for the second quarter of fiscal year 2012 was $3.6 million higher than the second quarter of fiscal year 2011.

- Avocado revenue for the second quarter of fiscal year 2012 was $0.2 million higher than the second quarter of fiscal year 2011.

- Navel and Valencia orange revenues for the second quarter of fiscal year 2012 were $0.1 million lower than the second quarter of fiscal year 2011.

- Specialty citrus and other crop revenues for the second quarter of fiscal year 2012 were $0.2 million lower than the second quarter of fiscal year 2011.

Costs associated with our agribusiness segment include packing costs, harvest costs, cultural costs, costs related to the lemons we process and sell for third-party growers and depreciation expense. For the second quarter of fiscal year 2012, our agribusiness costs were $11.7 million compared to $9.7 million for the second quarter of fiscal year 2011. The 20% increase of $1.9 million primarily consists of the following:

- Packing costs for the second quarter of fiscal year 2012 were $0.5 million higher than the second quarter of fiscal year 2011.

- Harvest costs for the second quarter of fiscal year 2012 were $0.2 million lower than the second quarter of fiscal year 2011.

- Cultural costs for the second quarter of fiscal year 2012 were $16,000 lower than the second quarter of fiscal year 2011.

- Third-party grower costs for the second quarter of fiscal year 2012 were $1.6 million higher than the second quarter of fiscal year 2011.

- Depreciation expense was similar quarter to quarter at approximately $0.4 million.

Rental Operations

Our rental operations segment had revenues of $1.0 million in the second quarters of fiscal years 2012 and 2011. All three areas of this segment (residential and commercial rental operations, leased land and organic recycling) were similar quarter to quarter.

Expenses in our rental operations segment were approximately $0.4 million in the second quarters of fiscal years 2012 and 2011. Depreciation expense was similar quarter to quarter at approximately $0.1 million.

Real Estate Development

Our real estate development segment revenues had no significant revenues in the second quarters of fiscal years 2012 and 2011.

Real estate development costs and expenses in the second quarter of fiscal year 2012 were $1.4 million lower than the second quarter of fiscal year 2011.

Corporate and Other

Corporate costs and expenses include selling, general and administrative costs and other costs not allocated to the operating segments. Corporate and other costs for the second quarter of fiscal year 2012 were $0.3 million higher than the second quarter of fiscal year 2011. Depreciation expense was similar quarter to quarter at approximately $50,000.

Six Months Ended April 30, 2012 Compared to the Six Months Ended April 30, 2011

The following analysis should be read in conjunction with the previous section "Results of Operations".

Agribusiness

For the six months ended April 30, 2012, our agribusiness segment revenue was $24.2 million compared to $16.3 million for the six months ended April 30, 2011. The 48% increase of $7.9 million primarily reflected higher lemon revenue for the fiscal year 2012 period compared to the fiscal year 2011 period. The increase in agribusiness revenue primarily consists of the following:

- Lemon revenue for the six months ended April 30, 2012 was $8.3 million higher than the six months ended April 30, 2011.
- Avocado revenue for the six months ended April 30, 2012 was $0.3 million higher than the six months ended April 30, 2011.
- Navel and Valencia orange revenues for the six months ended April 30, 2012 were $0.5 million lower than the six months ended April 30, 2011.
- Specialty citrus and other crop revenues for the six months ended April 30, 2012 were $0.2 million lower than the six months ended April 30, 2011.

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Costs associated with our agribusiness segment include packing costs, harvest costs, cultural costs, costs related to the lemons we process and sell for third-party growers and depreciation expense. For the six months ended April 30, 2012, our agribusiness costs and expenses were $23.1 million compared to $17.4 million for the six months ended April 30, 2011. The 33% increase of $5.7 million primarily consists of the following:

- Packing costs for the six months ended April 30, 2012 were $1.3 million higher than the six months ended April 30, 2011.
- Harvest costs for the six months ended April 30, 2012 were $0.5 million lower than the six months ended April 30, 2011.
- Cultural costs for the six months ended April 30, 2012 were $0.3 million higher than the six months ended April 30, 2011.
- Third-party grower costs for the six months ended April 30, 2012 were $4.6 million higher than the six months ended April 30, 2011.
- Depreciation expense was similar period to period at approximately $0.8 million.

Rental Operations

Our rental operations segment had revenues of approximately $2.0 million in the six months ended April 30, 2012 and 2011. All three areas of this segment (residential and commercial rental operations, leased land and organic recycling) were similar period to period.

Expenses in our rental operations segment were similar period to period at approximately $0.9 million. Depreciation expense was similar period to period at approximately $0.2 million.

Real Estate Development

Our real estate development segment had revenues of approximately $0.1 million in the six month periods ended April 30, 2012 and 2011.

Real estate development costs and expenses for the six months ended April 30, 2012 were $1.4 million lower than the six months ended April 30, 2011.

Corporate and Other

Corporate costs and expenses include selling, general and administrative costs and other costs not allocated to the operating segments. Corporate and other costs for the six months ended April 30, 2012 were $0.1 million higher than the six months ended April 30, 2011. Depreciation expense was similar period to period at approximately $0.1 million.

Seasonal Operations

Historically, our agricultural operations have been seasonal in nature with the least amount of our annual revenue being generated in our first quarter, increasing in the second quarter, peaking in the third quarter and declining in the fourth quarter. Cultural costs in our agribusiness tend to be higher in the first and second quarters and lower in the third and fourth quarters because of the timing of expensing cultural costs in the current year that were inventoried in the prior year. Our harvest costs generally increase in the second quarter and peak in the third quarter coinciding with increasing production and revenue. Due to this seasonality and to avoid the inference that interim resu