

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 nine months ended May 31, 2003.

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  
(State or other jurisdiction of  
incorporation of organization)

59-0906081  
(I.R.S. Employer  
Identification No.)

P. O. Box 338, La Belle, FL  
(Address of principal executive offices)

33975  
(Zip Code)

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

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 is an accelerated filer  
(as defined in Rule 12b-2 of the Exchange Act).

Yes  No

There were 7,109,595 shares of common stock, par value \$1.00 per share,  
outstanding at July 14, 2003.

<TABLE>  
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Item 1. Financial Statements

ALICO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited - See Accountants' Review Report)

	Three Months Ended		Nine Months Ended	
	May 31, 2003	May 31, 2002	May 31, 2003	May 31, 2002
<S>	<C>	<C>	<C>	<C>
Revenue:				
Citrus	\$ 9,246,732	\$ 9,889,128	\$ 20,641,423	\$ 19,083,652
Sugarcane	4,977,091	1,882,782	12,937,314	11,116,222
Ranch	3,086,389	2,535,861	6,349,888	8,138,412
Rock products				

and sand	391,647	570,417	1,471,877	1,428,971
Oil lease and land rentals	154,702	308,233	689,967	647,223
Forest products	93,953	110,744	221,565	252,324
Retail land sales	36,650	49,100	152,500	88,550
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	17,987,164	15,346,265	42,464,534	40,755,354
	<hr/>	<hr/>	<hr/>	<hr/>
Cost of sales:				
Citrus production, harvesting and marketing	7,385,353	7,605,387	18,370,518	16,438,618
Sugarcane production and harvesting	3,476,021	1,863,944	9,761,923	9,215,828
Ranch	2,658,250	2,433,630	5,896,819	7,301,419
Retail land sales	32,170	44,434	131,262	91,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total cost of sales	13,551,794	11,947,395	34,160,522	33,046,865
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Profit	4,435,370	3,398,870	8,304,012	7,708,489
	<hr/>	<hr/>	<hr/>	<hr/>
General and administration expenses	1,403,202	1,296,650	4,050,114	8,537,630
	<hr/>	<hr/>	<hr/>	<hr/>
Income (loss) from operations	3,032,168	2,102,220	4,253,898	(829,141)
	<hr/>	<hr/>	<hr/>	<hr/>
Other income (expense):				
Profit on sales of real estate	141,460	202,444	694,766	11,529,231
Interest and investment income	228,805	403,478	749,732	1,237,044
Interest expense	(517,561)	(682,486)	(1,541,564)	(1,728,105)
Other	62,815	(5,915)	219,633	102,010
	<hr/>	<hr/>	<hr/>	<hr/>
Total other income (expense), net	(84,481)	(82,479)	122,567	11,140,180
	<hr/>	<hr/>	<hr/>	<hr/>
Income before income taxes	2,947,687	2,019,741	4,376,465	10,311,039
Provision for income taxes	882,224	1,588,437	1,263,169	2,159,736
	<hr/>	<hr/>	<hr/>	<hr/>
Net income	\$ 2,065,463	\$ 431,304	\$ 3,113,296	\$ 8,151,303
	<hr/>	<hr/>	<hr/>	<hr/>
Weighted average number of shares outstanding	7,109,595	7,073,385	7,104,703	7,066,932
	<hr/>	<hr/>	<hr/>	<hr/>
Per share amounts:				
Basic	\$ .29	\$ .06	\$ .44	\$ 1.15
Fully diluted	\$ .28	\$ .06	\$ .43	\$ 1.14
Dividends	\$ -	\$ -	\$ .35	\$ 1.00

<FN>

See accompanying Notes to Condensed Consolidated Financial Statements.

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<CAPTION>

ALICO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(See Accountants' Review Report)

May 31, 2003

August 31, 2002

\_\_\_\_(Unaudited)\_\_\_\_\_

<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash investments	\$ 14,800,230	\$ 10,139,659
Marketable securities	21,910,172	21,417,046
Accounts receivable	10,928,104	9,460,834
Mortgage and notes receivable	2,435,727	2,451,340
Inventories	17,249,098	21,671,964
Other current assets	806,695	1,126,483
	_____	_____
Total current assets	68,130,026	66,267,326
Notes receivable, non-current	2,652,873	2,693,186
Land held for development and sale	17,112,367	16,786,717
Investments	876,791	908,049
Property, buildings and equipment	145,336,351	142,354,775
Less: Accumulated depreciation	(39,871,184)	(37,100,353)
	_____	_____
Total assets	\$194,237,224	\$191,909,700
	_____	_____

ALICO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(See Accountants' Review Report)  
(Continued)

<S>	May 31, 2003 ____(Unaudited)_____	August 31, 2002
	<C>	<C>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,374,915	\$ 1,437,756
Accrued ad valorem taxes	1,057,296	1,523,980
Current portion of notes payable	3,318,524	3,318,524
Accrued expenses	1,134,582	1,168,652
Income taxes payable	1,150,544	-
Deferred income taxes	1,474,030	1,038,727
Due to profit sharing	-	284,649
Current portion of donation payable	735,366	770,721
	_____	_____
Total current liabilities	10,245,257	9,543,009
Deferred revenue	110,538	113,532
Notes payable	51,641,285	52,657,508
Deferred income taxes	9,690,637	9,727,889
Deferred retirement benefits	475,380	119,247

Other non-current liability	3,797,797	3,640,593
Donation payable	2,219,388	2,890,423
	<hr/>	<hr/>
Total liabilities	78,180,282	78,692,201
	<hr/>	<hr/>
STOCKHOLDERS' EQUITY		
Common stock	\$ 7,109,595	\$ 7,080,344
Additional paid in capital	2,769,218	1,715,616
Accumulated other comprehensive income (loss)	693,298	(432,577)
Retained earnings	105,484,831	104,854,116
	<hr/>	<hr/>
Total stockholders' equity	116,056,942	113,217,499
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$194,237,224	\$191,909,700
	<hr/>	<hr/>

<FN>

See accompanying Notes to Condensed Consolidated Financial Statements.

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ALICO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(See Accountants Review Report)

	Common Stock		Retained	Accumulated	Additional	Total
	Shares	Amount	Earnings	Other	Paid in	
	Issued			Comprehensive	Capital	
				Income		
				(loss)		
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances, August 31, 2001	7,044,513	\$7,044,513	\$104,378,151	\$ 871,077	\$331,617	\$112,625,358
<hr/>						
Comprehensive income:						
Net income for the year ended August 31, 2002	-	-	7,535,005	-	-	7,535,005
Unrealized losses on securities, net of taxes and reclassification adjustment	-	-	-	(1,303,654)	-	(1,303,654)
Total comprehensive income:				6,231,351		
Dividends paid	-	-	(7,059,040)	-	-	(7,059,040)
Stock options exercised	35,831	35,831	-	-	493,197	529,028
Stock based compensation	-	-	-	-	890,802	890,802
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balances, August 31, 2002	7,080,344	\$7,080,344	\$104,854,116	\$(432,577)	\$1,715,616	\$113,217,499
<hr/>						
Comprehensive income:						
Net income for the nine months ended May 31, 2003	-	-	3,113,296	-	-	3,113,296
Unrealized gain on securities, net of taxes and reclassification adjustment	-	-	-	1,125,875	-	1,125,875
Total comprehensive income:				4,239,171		
Dividends paid	-	-	(2,482,581)	-	-	(2,482,581)
Stock options exercised	29,251	29,251	-	-	424,366	453,617

Stock based compensation	-	-	-	-	629,236	629,236
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>		<u>          </u>
Balances, May 31, 2003 (Unaudited)	7,109,595	\$7,109,595	\$105,484,831	\$ 693,298	\$2,769,218	\$116,056,942
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>		<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>		<u>          </u>

		May 31,	August 31,
2003	2002		
Disclosure of reclassification amount:		_(Unaudited)	<u>          </u>
Unrealized holding gains (losses) arising during the period		\$1,818,599	\$ (1,774,892)
Less: reclassification adjustment for (gains) losses included in net income	692,724	(471,238)	<u>          </u>
		<u>          </u>	<u>          </u>
Net unrealized gains (losses) on securities		\$1,125,875	\$ (1,303,654)
		<u>          </u>	<u>          </u>
		<u>          </u>	<u>          </u>

<FN>

See accompanying Notes to Condensed Consolidated Financial Statements.

ALICO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited - See Accountants' Review Report)

		Nine Months Ended May 31,
		2003
		2002
<S>		<u>          </u>
Cash flows from operating activities:		
	<C>	<C>
Net income	\$ 3,113,296	\$8,151,303
Adjustments to reconcile net income to cash provided from operating activities:		
Depreciation and amortization	5,090,503	5,208,871
Net decrease in current assets and liabilities	2,159,114	(154,602)
Deferred income taxes	398,051	(1,941,699)
Gain on sales of real estate	(716,004)	(11,526,781)
Stock options granted below fair market value	629,236	668,142
Other	72,459	4,526,445
Donation accrual	-	3,627,140
	<u>          </u>	<u>          </u>
Net cash provided from operating activities	10,746,655	8,558,819
	<u>          </u>	<u>          </u>
Cash flows used for investing activities:		

Purchases of property and equipment	(5,647,157)	(17,574,696)
Proceeds from sales of real estate	822,404	13,109,833
Proceeds from sales of property and equipment	739,666	440,031
Purchases of marketable securities	(2,523,990)	(5,349,439)
Proceeds from sales of marketable securities	3,512,254	3,298,602
Notes receivable collections (additions)	55,926	(34,817)
	<hr/>	<hr/>
Net cash used for investing activities	(3,040,897)	(6,110,486)
	<hr/>	<hr/>
Cash flows used for financing activities:		
Repayment of bank loan	(26,289,805)	(30,146,991)
Proceeds from bank loan	25,273,582	36,678,165
Proceeds from exercising stock options	453,617	-
Dividends paid	(2,482,581)	(7,059,040)
	<hr/>	<hr/>
Net cash used for financing activities	(3,045,187)	(527,866)
	<hr/>	<hr/>
Net increase in cash and cash investments	\$4,660,571	\$1,920,467
	<hr/>	<hr/>
Cash and cash investments		
At the beginning of year	10,139,659	6,225,088
	<hr/>	<hr/>
At end of period	14,800,230	8,145,555
	<hr/>	<hr/>
	<hr/>	<hr/>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$1,287,741	\$2,005,171
	<hr/>	<hr/>
	<hr/>	<hr/>
Cash paid for income taxes	\$ 50,000	\$ 961,078
	<hr/>	<hr/>
	<hr/>	<hr/>
Non-cash investing and financing activities:		
Fair value adjustments to securities available for sale	\$1,818,599	\$ (89,181)
	<hr/>	<hr/>
	<hr/>	<hr/>
Income tax effect related to fair value adjustment	\$ 692,724	\$ (50,260)
	<hr/>	<hr/>
	<hr/>	<hr/>
Reclassification of breeding herd to property & equipment	\$ 700,347	\$ 515,398
	<hr/>	<hr/>
	<hr/>	<hr/>

<FN>

See accompanying Notes to Condensed Consolidated Financial Statements.

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ALICO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(See Accountants' Review Report)  
(in thousands except for per share data)

1. Basis of financial statement presentation:

The accompanying condensed consolidated financial statements include the accounts of Alico, Inc. and its wholly owned subsidiaries, Saddlebag Lake Resorts, Inc. (Saddlebag), Agri-Insurance Company, Ltd. (Agri), and Alico/Agri, Ltd. after elimination of all significant intercompany balances and transactions.

The accompanying unaudited condensed consolidated financial statements have been prepared on a basis consistent with the accounting principles and policies reflected in the Company's annual report for the year ended August 31, 2002. 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 and consolidated stockholders equity at May 31, 2003 and the consolidated results of operations and cash flows for the three month and nine month periods ended May 31, 2003 and 2002.

The basic business of the Company is agriculture which is of a seasonal nature and subject to the influence of natural phenomena and wide price fluctuations. Fluctuation in the market prices for citrus fruit has caused the Company to recognize additional revenue from the prior year's crop totaling \$282 in 2003 and \$568 in 2002. The results of operations for the stated periods are not necessarily indicative of results to be expected for the full year. Certain items from 2002 have been reclassified to conform to the 2003 presentation.

2. Real Estate:

Real estate sales are recorded under the accrual method of accounting. Under this method, a sale is not recognized until payment is received, including interest, aggregating 10% of the contract sales price for residential properties and 20% for commercial properties.

3. Mortgage and notes receivable:

Mortgage and notes receivable arose from real estate sales. The balances (in thousands) at May 31, 2003 and August 31, 2002 are as follows:

<TABLE>

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2003	2002	May 31,	August 31,
		(Unaudited)	

<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
Mortgage notes receivable on retail land sales	\$ 171	\$ 193
Mortgage notes receivable on bulk land sales	4,898	4,926
Other notes receivable	20	25
	<hr/>	<hr/>
Total mortgage notes receivable	\$ 5,089	\$ 5,144
Less current portion	2,436	2,451
	<hr/>	<hr/>
Non-current portion	\$ 2,653	\$ 2,693
	<hr/>	<hr/>

</TABLE>

Inventories:

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

<TABLE>

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2003	2002	May 31, (Unaudited)	August 31,
		<hr/>	<hr/>
<u>&lt;S&gt;</u>		<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
Unharvested fruit crop on trees		\$ 6,517	\$ 8,599
Unharvested sugarcane		3,330	5,274
Beef cattle		6,769	7,507
Sod		633	292
		<hr/>	<hr/>
Total inventories		\$ 17,249	\$ 21,672
		<hr/>	<hr/>

</TABLE>

Subject to prevailing market conditions, the Company may hedge a portion of its beef inventory by entering into cattle futures contracts to reduce exposure to changes in market prices. Any gains or losses anticipated under these agreements are deferred, with the cost of the related cattle being adjusted when the contracts are settled. At May 31, 2003, the Company had no open positions.

5. Income taxes:

The provision for income taxes for the three and nine month periods ended May 31, 2003 and May 31, 2002 is summarized as follows:

<TABLE>

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	Three months ended May 31,		Nine months ended May 31,	
	2003	2002	2003	2002
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
Current:				
Federal income tax	\$ 478	\$ 3,178	\$ 781	\$ 3,486
State income tax	52	568	84	615
	<hr/>	<hr/>	<hr/>	<hr/>
	530	3,746	865	4,101
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred:				
Federal income tax	317	(1,552)	359	(1,398)
State income tax	35	(606)	39	(543)



	352	(2,158)	398	(1,941)
Total provision for income taxes	\$ 882	\$ 1,588	\$ 1,263	\$ 2,160

</TABLE>

#### 6. Indebtedness:

The Company has financing agreements with commercial banks that permit the Company to borrow up to \$54 million. Financing agreements allowing the Company to borrow up to \$41 million are due in 2004, and up to \$3 million which is due on demand. In December 2001, the Company entered into an additional financing agreement to borrow \$10 million to be paid in

equal principal installments over five years with interest to be paid quarterly. The outstanding debt under these agreements was \$40.9 million and \$41.0 million at May 31, 2003 and August 31, 2002 respectively. In March 1999, the Company mortgaged 7,680 acres for \$19 million in connection with a \$22.5 million acquisition of producing citrus and sugarcane operations. The total amount of long-term debt at May 31, 2003 and August 31, 2002 was \$51.6 million and \$52.7 million respectively.

Maturities of the indebtedness of the Company over the next five years are as follows : 2003- \$3,319; 2004- \$36,265; 2005- \$3,309; 2006- \$3,311; 2007- \$1,315; and \$7,441 thereafter.

Interest cost expensed and capitalized during the nine months ended May 31, 2003 and 2002 was as follows:

	2003	2002
Interest expensed	\$ 1,542	\$ 1,728
Interest capitalized	191	217
Total interest cost	\$ 1,733	\$ 1,945

#### 7. Other non-current liability:

Alico formed a wholly owned insurance subsidiary, Agri Insurance Company, Ltd. (Bermuda) ("Agri") in June of 2000. Agri was formed in response to the lack of insurance availability, both in the traditional commercial insurance markets and governmental sponsored insurance programs, suitable to provide coverages for the increasing number and potential severity of agricultural related events. Such events include citrus canker, crop diseases, livestock related maladies and weather. Alico's goal included not only prefunding its potential exposures related to the aforementioned events, but also to attempt to attract new underwriting capital if it is successful in profitably underwriting its own potential risks as well as similar risks of its historic business partners. Alico primarily utilized its inventory of land and additional contributed capital to bolster the underwriting capacity of Agri. As Agri has converted certain of the assets contributed by Alico to cash, book and tax differences have arisen resulting from differing viewpoints related to the tax treatment of insurance companies for both federal and state tax purposes. Due to the historic nature of the primary assets contributed as capital to Agri and the timing of the sales of certain of those assets by Agri, management has decided to record a contingent liability, providing

for potential differences in the tax treatment of sales of Agri's assets. Management's decision has been influenced by perceived changes in the regulatory environment.

8. Dividends:

On October 11, 2002 the Company declared a year-end dividend of \$.35 per share, which was paid on October 25, 2002.

9. Disclosures about reportable segments:

Alico, Inc. has three reportable segments: citrus, sugarcane, and ranching. The commodities produced by these segments are sold to wholesalers and processors who prepare the products for consumption. The Company's operations are located in Florida.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Alico, Inc. evaluates performance based on profit or loss from operations before income taxes. Alico, Inc.'s reportable segments are strategic business units that offer different products. They are managed separately because each segment requires different management techniques, knowledge and skills.

The following table presents information for each of the Company's operating segments as of and for the nine months ended May 31, 2003:

	Citrus	Sugarcane	Ranch	Other*	Consolidated Total
Revenue	\$ 20,641	12,937	6,350	4,216	44,144
Costs and expenses	18,371	9,762	5,897	5,738	39,768
Depreciation and amortization	1,761	1,817	1,152	361	5,091
Segment profit (loss) before income taxes	2,270	3,175	453	(1,522)	4,376
Segment assets	53,939	48,163	23,728	68,407	194,237

The following table presents information for each of the Company's

operating segments as of and for the nine months ended May 31, 2002:

	Citrus	Sugarcane	Ranch	Other*	Consolidated Total
Revenue	\$ 19,084	11,116	8,138	15,287	53,625
Costs and expenses	16,439	9,216	7,301	10,358	43,314
Depreciation and amortization	1,797	1,930	1,119	363	5,209
Segment profit before income taxes	2,645	1,900	837	4,929	10,311
Segment assets	57,818	53,487	20,357	59,609	191,271

\*Consists of rents, investments, real estate activities and other such items of a general corporate nature.

#### 10. Stock Option Plan

On November 3, 1998, the Company adopted the Alico, Inc., Incentive Equity Plan (The Plan) pursuant to which the Board of Directors of the Company may grant options, stock appreciation rights, and/or restricted stock to certain directors and employees. The Plan authorizes grants of shares or options to purchase up to 650,000 shares of authorized but unissued common stock. Stock options granted have a strike price and vesting schedules which are at the discretion of the Board of Directors and determined on the effective date of the grant. The strike price cannot be less than 55% of the market price.

<TABLE>  
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	Options	Weighted average exercise price	Weighted average remaining contractual Life (in years)
<S> Balance outstanding, August 31, 2000	<C> 49,692	<C> \$14.62	<C> 6
Granted	51,074	14.62	
Exercised	16,686	14.62	

Balance outstanding, August 31, 2001	84,080	14.62	9
Granted	69,598	15.68	
Exercised	35,831	14.76	
Balance outstanding, August 31, 2002	117,847	15.20	10
Granted	67,280	15.68	
Exercised	29,251	15.68	
Balance outstanding, May 31, 2003	155,876	15.35	

</TABLE>

On May 31, 2003, there were 155,876 shares exercisable and 412,356 shares available for grant.

#### 11. Future Application of Accounting Standards

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The statement requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred rather than at the plan commitment date. An exit or disposal activity is defined as including the sale or termination of a line of business, the closure of a business in a particular location, the relocation of a business, change in management structure or a fundamental reorganization that affects the nature and focus of operations. The Statement is effective for any exit or disposal activities that are initiated after December 31, 2002.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others," which provides guidance on the recognition and disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees. The initial recognition and measurements provisions of Interpretation No. 45 are effective for guarantees issued or modified after December 31, 2002, and are to be applied prospectively. The disclosure requirements are effective for financial statements for interim or annual periods ending after December 15, 2002. Interpretation No. 45 was adopted in December of fiscal 2003.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for financial statements issued for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002.

The adoption of these statements are not expected to have any impact on the financial position or results of operations of the Company.

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

LIQUIDITY AND CAPITAL RESOURCES:

Working capital increased to \$57.9 million at May 31, 2003, up from \$56.7 million at August 31, 2002. As of May 31, 2003, the Company had cash and cash investments of \$14.8 million compared to \$10.1 million at August 31, 2002. Marketable securities increased to \$21.9 million from \$21.4 million during the same period. The ratio of current assets to current liabilities decreased to 6.65 to 1 at May 31, 2003 from 6.94 to 1 at August 31, 2002. Total assets increased by \$2.3 million to \$194.2 million at May 31, 2003, compared to \$191.9 million at August 31, 2002.

Management believes that the Company will be able to meet its working capital requirements for the foreseeable future with internally generated funds. In addition, the Company has credit commitments which provide for revolving credit of up to \$54.0 million, of which \$13.1 million was available for the Company's general use at May 31, 2003 (see Note 6 to condensed consolidated financial statements).

RESULTS OF OPERATIONS:

The basic business of the Company is agriculture, which is of a seasonal nature and is 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.

Net income for the nine months ending May 31, 2003 decreased by \$5.0 million when compared to the first nine months of the prior year. This was primarily due to a decrease in earnings from real estate sales for the nine months ended May 31, 2003 when compared to the nine months ended May 31, 2002 (\$0.7 million vs. \$11.5 million during the first nine months of fiscal 2003 and 2002, respectively).

Income from operations increased to \$4.3 million for the first nine months of fiscal 2003, compared to a \$0.8 million loss for the first nine months of fiscal 2002. The earnings increase was largely due to a decrease in general and administrative expenses as a donation of \$5.0 million was accrued at its net present value and charged against earnings in the second quarter of the prior fiscal year.

Earnings from agricultural activities increased when compared to the second quarter and year to date of the prior year (\$3.9 million vs. \$2.5 million for the second quarter, and \$6.1 million vs. \$5.6 million during the first nine months of fiscal 2003 and 2002, respectively).

Citrus

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Citrus earnings were \$1.9 million and \$2.3 million for the third quarter of fiscal 2003, and fiscal 2002, respectively. Citrus earnings were \$2.3 million and \$2.6 million for the first nine months of fiscal 2003 and fiscal 2002, respectively. While the anticipated production decline will be smaller than originally expected, earnings from citrus will probably be similar to the prior year's results.

Sugarcane

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Sugarcane earnings were \$1.5 million and \$19 thousand for the third quarter of fiscal 2003, and fiscal 2002, respectively. Sugarcane earnings were \$3.2 million vs. \$1.9 million for the first nine months of fiscal 2003 and fiscal

2002, respectively. The sugarcane harvest is complete for fiscal 2003 and yields and prices for the current year surpassed preliminary estimates and prior year results.

## Ranching

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Ranch earnings were \$428 thousand and \$102 thousand during the third quarter of 2003 and 2002, respectively. Ranch earnings were \$453 thousand vs. \$837 thousand for the nine months ended May 31, 2003 and 2002, respectively. The number of cattle sold decreased by 26% during the first nine months of fiscal 2003 compared to the same period in 2002. Additionally, costs per head increased over the prior year due to increased costs of ad valorem taxes, depreciation, pasture cultivation and feed costs.

## General Corporate

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The Company is continuing its marketing and permitting activities for its land which surrounds the Florida Gulf Coast University site. At May 31, 2003, there were sales contracts for all of the Lee County, Florida property (approximately 6,200 acres) at various stages in the due diligence process with potential closing dates varying from a few weeks to two years. Potential revenues from the contracts, if closed, total \$197.5 million with terms varying from cash at closing to ten year mortgage terms.

In Polk County, real estate activities include an option for the sale of 267 acres for \$618 thousand. In Hendry County, sales contracts for 514 acres total \$669 thousand. All of these sales will close in the fourth quarter of fiscal 2003.

During April 2003, Alico and Agri formed Alico/Agri Limited Partnership (Alico/Agri, Ltd.). Under the terms of the partnership, Agri contributed its real estate holdings in Lee County, Florida, in exchange for a 99% equity position and a limited partner standing. Alico contributed cash equal to a 1% equity position and is the general partner. The financial statements of Alico/Agri, Ltd., are consolidated with Alico and Agri for financial reporting purposes.

In June 2003, Alico/Agri, Ltd., sold 41 acres of land in Lee County, Florida, for \$5.5 million. The resulting \$5.0 million gain will be recognized in the fourth quarter of fiscal 2003.

In July 2000, the Company formed Agri-Insurance Company, Ltd. (Agri) a wholly owned subsidiary. The insurance company was initially capitalized by transferring cash and approximately 3,000 acres of the Lee County property from the Company to Agri. Through Agri, the Company has been able to underwrite previously uninsurable risk related to catastrophic crop and other losses. Additionally, the insurance company will have access to otherwise inaccessible reinsurance markets. The Federal Crop Insurance Program provides coverage for certain perils, e.g. freeze damage, windstorm, disease, etc. However, the current Federal Crop Insurance Program does not provide business interruption coverage. The coverages currently underwritten by Agri will indemnify the insured for a loss of their revenue stream resulting from a catastrophic event that would cause a grove to be replanted. The insurance market is bifurcated into insurers and reinsurers. Reinsurers provide wholesale insurance coverage to the industry. Some specialized reinsurers

will only deal with insurance companies. As a result, the only way to access the wholesale insurance market is through the formation of a captive insurance company. Reinsurers provide greater insurance coverage flexibility than can be found in the primary insurance market.

Agri is in a relatively early stage of financial development. Therefore, it would be difficult, if not impossible, to speculate about the impact it could have on our financial position, results of operations and liquidity in future periods. Since future coverages that will be written, as liquidity is generated, will be primarily for the benefit of Alico, the financial substance of this venture is to insure risk that is inherent in the Company's existing operations. To expedite the creation of the capital liquidity necessary to underwrite the Company's exposure to catastrophic losses, another 5,600 acres were transferred during fiscal 2001. Agri underwrote a limited amount of coverage for Ben Hill Griffin, Inc. during fiscal 2001, 2002 and 2003. In August 2002, Agri began insuring all of Alico, Inc.'s citrus groves. As Agri gains underwriting experience and increases its liquidity, it will be able to increase its insurance programs.

As discussed above and in Note 7 to the Condensed Consolidated Financial Statements, Alico primarily utilized its inventory of land and additional contributed capital to bolster the underwriting capacity of Agri. As Agri has converted certain of the assets contributed by Alico to cash, book and tax differences have arisen resulting from differing viewpoints related to the tax treatment of insurance companies for both federal and state tax purposes. Due to the historic nature of the primary assets contributed as capital to Agri and the subsequent sales of those assets by Agri, management has recorded a contingent liability, providing for potential differences in the tax treatment of certain sales of Agri's assets. Management's decision to record the liability has been influenced by perceived changes in the regulatory environment.

During November 2001, Agri began to close on a 2,500 acres, \$30.0 million sale, of which 40 acres were transferred in November 2001 and 1,744 acres were transferred by the end of December 2001. However, upon mutual consent, 323 acres, representing \$9.6 million were released from the contract and retained by Agri for sale at a future date. The remaining 393 acres are expected to be transferred by the end of fiscal 2003. The profits from portions of this transaction that have closed are included in the fiscal 2002 statement of operations under profit on sales of real estate.

In December 2001, the Company agreed to donate \$5.0 million to Florida Gulf Coast University for a new athletic complex, scholarships and athletic programs. The agreement called for \$1.0 million to be donated in fiscal 2002, and \$800 thousand to be donated each year over the next five years. The entire donation was accrued and fully recognized in general and administrative expenses in the fiscal 2002 statement of operations.

During January 2002, Agri acquired 40 acres of Lee County, Florida property for \$9.5 million. The property is located near one of the interstate highway access ramps to Florida Gulf Coast University and the Southwest Florida International Airport.

#### Critical Accounting Policies and Estimates

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The preparation of the Company's financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, management evaluates the estimates and assumptions based upon

historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. The following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our consolidated financial statements are discussed below.

Alico records inventory at the lower of cost or market. Management regularly assesses estimated inventory valuations based on current and forecasted usage of the related commodity and any other relevant factors that affect the net realizable value.

Based on fruit buyers' and processors' advances to growers, stated cash and futures markets, and combined experience in the industry, management reviews the reasonableness of the citrus revenue accrual. Adjustments are made throughout the year to these estimates as relevant information regarding the citrus market becomes available. Fluctuation in the market prices for citrus fruit has caused the Company to recognize additional revenue from the prior year's crop totaling \$193 thousand during fiscal 2003 and \$185 thousand in 2002.

In accordance with Statement of Position 85-3 "Accounting by Agricultural Producers and Agricultural Cooperatives", the cost of growing crops (citrus and sugarcane) are capitalized into inventory until the time of harvest. Once a given crop is harvested, the related inventoried costs are recognized as cost of sales to provide an appropriate matching of costs incurred with the related revenue earned.

#### Cautionary Statement

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Readers should note, in particular, that this Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. When used in this document, or in the documents incorporated by reference herein, the words "anticipate", "believe", "estimate", "may", "intend" and other words of similar meaning, are likely to address the Company's growth strategy, financial results and/or product development programs. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. The considerations listed herein represent certain important factors the Company believes could cause such

results to differ. These considerations are not intended to represent a complete list of the general or specific risks that may effect the Company. It should be recognized that other risks, including general economic factors and expansion strategies, may be significant, presently or in the future, and the risks set forth herein may affect the Company to a greater extent than indicated.

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

There have been no material changes to the Company's disclosures related to certain market risks as reported in part II, item 7 (a), "Quantitative & Qualitative disclosures about market risk" in the Company's annual report on form 10-K for the year ended August 31, 2002 as filed with the Securities Exchange Commission.

#### ITEM 4. Controls and Procedures

##### Evaluation of disclosure controls and procedures

The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files



or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the Chief Executive and Chief Financial officers of the Company concluded that the Company's disclosure controls and procedures were adequate.

#### Changes in internal controls

The Company made no significant changes in its internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial officers.

FORM 10-Q

#### PART II. OTHER INFORMATION

ITEMS 1-5 have been omitted as there are no items to report during this interim period.

ITEM 6. Exhibits and reports on Form 8-K.

(a) Exhibits:

Exhibit 11.1 Computation of Weighted Average Shares Outstanding at  
May 31, 2003.  
Exhibit 99.1 Accountant's Report.  
Exhibit 99.2 Certifications pursuant to 18 U.S.C. paragraph 1350

(b) Reports on Form 8-K.

March 10, 2003 Press release announcing land sale in Lee County, FL  
March 25, 2003 Press release announcing land sale in Lee County, FL  
April 8, 2003 Settlement agreement update  
June 12, 2003 Announcement of land sale in Lee County, FL

#### 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)

July 14, 2003  
Date

W. Bernard Lester  
President  
Chief Operating Officer  
(Signature)

July 14, 2003  
Date

L. Craig Simmons  
Vice President  
Chief Financial Officer  
(Signature)

July 14, 2003  
Date

Patrick W. Murphy  
Controller  
(Signature)

CERTIFICATION

I, Ben Hill Griffin, III certify that;

1. I have reviewed this quarterly report on Form 10-Q of Alico, Inc. (Alico),
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of Alico as of, and for, the periods presented in this quarterly report;
4. Alico's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Alico and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to Alico, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of Alico's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. Alico's other certifying officer and I have disclosed, based on our most recent evaluation to Alico's auditors and audit committee of Alico's Board of Directors:
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect Alico's ability to record, process, summarize and report financial data and have identified for Alico's auditors any material weakness in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in Alico's internal controls; and
6. Alico's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: July 14, 2003

/S/ BEN HILL GRIFFIN, III  
Ben Hill Griffin, III  
Chairman and Chief

CERTIFICATION

I, L. Craig Simmons certify that;

1. I have reviewed this quarterly report on Form 10-Q of Alico, Inc. (Alico),
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of Alico as of, and for, the periods presented in this quarterly report;
4. Alico's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Alico and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to Alico, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of Alico's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. Alico's other certifying officer and I have disclosed, based on our most recent evaluation to Alico's auditors and audit committee of Alico's Board of Directors:
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect Alico's ability to record, process, summarize and report financial data and have identified for Alico's auditors any material weakness in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in Alico's internal controls; and
6. Alico's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: July 14, 2003

/S/ L. CRAIG SIMMONS  
L. Craig Simmons  
Vice President and  
Chief Financial Officer

Exhibit Index

Exhibit No.	Description
11.1	Computation of Weighted Average shares outstanding at May 31, 2003
99.1	Accountant's Report dated July 2, 2003
99.2	Certifications pursuant to 18 U.S.C paragraph 1350

EXHIBIT 11.1

ALICO, INC.

Date	Days	Outstanding Shares	Total (days X shares)
05/31/03	92	7,109,595	654,082,740
	<hr/>		<hr/>
Total	92		654,082,740
	<hr/>		<hr/>
	<hr/>		<hr/>
Average outstanding shares (Total weight / days)			7,109,595
			<hr/>
			<hr/>

Net income for the three months ended May 31, 2003 \$2,065,463

                      
                    

Earnings per share (Net income/Average outstanding shares \$ .29

                      
                    

Computation of Weighted Average Shares Outstanding as of May 31, 2003:

Date	Days	Outstanding Shares	Total (days X shares)
09/01/02	2	7,080,344	14,160,688
09/03/02	1	7,083,592	7,083,592
09/04/02	1	7,089,392	7,089,392
09/05/02	1	7,089,562	7,089,562
09/06/02	3	7,090,492	21,271,476
09/09/02	46	7,093,092	326,282,232
10/25/02	4	7,095,092	28,380,368
10/29/02	2	7,100,406	14,200,812
10/31/02	4	7,101,706	28,406,824
11/04/02	1	7,102,106	7,102,106
11/05/02	48	7,104,906	341,035,488
12/23/02	43	7,108,345	305,658,835
02/04/03	25	7,109,595	177,739,875
05/31/03	92	7,109,595	654,082,740
<hr/>			<hr/>
Total	273		1,939,583,990
<hr/>			<hr/>

Average outstanding shares (Total weight / days) 7,104,703

                      
                    

Net income for the nine months ended May 31, 2003 \$ 3,113,296

                      
                    

Earnings per share

(Net income / Average outstanding shares) \$.44

EXHIBIT 99.1

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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The Stockholders and Board of Directors  
Alico, Inc.:

We have reviewed the condensed consolidated balance sheet of Alico, Inc. and subsidiaries as of May 31, 2003, and the related condensed consolidated statements of operations for the three and nine month periods ended May 31, 2003 and 2002, the condensed consolidated statements of stockholders' equity for the nine month period ended May 31, 2003, and the condensed consolidated statements of cash flows for the nine month periods ended May 31, 2003 and 2002. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Alico, Inc. and subsidiaries as of August 31, 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated October 8, 2002 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the

accompanying condensed consolidated balance sheet as of August 31, 2002, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Orlando, Florida  
July 2, 2003

EXHIBIT 99.2

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Alico, Inc. (the "Company") on Form 10-Q for the nine months ended May 31, 2003 as filed with the Securities and Exchange Commission on July 14, 2003 (the "Form 10-Q"), I, Ben Hill Griffin, III, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 14, 2003

Ben Hill Griffin, III  
Chief Executive Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Alico, Inc. (the "Company") on Form 10-Q for the nine months ended May 31, 2003 as filed with the Securities and Exchange Commission on July 14, 2003 (the "Form 10-Q"), I, L. Craig Simmons, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 14, 2003

L. Craig Simmons  
Chief Financial Officer