

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 six months ended February 29, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
 SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to  
 \_\_\_\_\_.

Commission file number 0-261.

ALICO, INC.  
 (Exact name of registrant as specified in its charter)

Florida 59-0906081  
 (State or other jurisdiction of (I.R.S. Employer  
 incorporation of organization) Identification No.)

P. O. Box 338, La Belle, FL 33935  
 (Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 941/675-2966

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

There were 7,027,827 shares of common stock, par value \$1.00 per share, outstanding at April 12, 1996.

<TABLE>  
 <CAPTION>

FORM 10-Q

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ALICO, INC. AND SUBSIDIARY  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS  
 (See Accountants' Review Report)

	(Unaudited)		(Unaudited)	
	Three Months Ended		Six Months Ended	
	Feb. 29, 1996	Feb. 28, 1995	Feb. 29, 1996	Feb. 28, 1995
<S>	<C>	<C>	<C>	<C>
Revenue:				
Citrus	\$ 7,133,182	\$ 6,802,818	\$11,303,342	\$10,250,285
Sugarcane	4,022,309	3,860,724	5,408,633	5,022,828
Ranch	195,692	329,568	1,730,263	940,988
Rock products and sand	213,244	213,200	447,636	490,688
Oil lease and land rentals	112,345	116,910	183,493	170,761
Forest products	37,970	25,320	77,420	53,942
Profit on sales of real estate	79,993	16,627	96,901	36,224
Interest and investment income	259,647	274,077	611,279	520,378
Other	65,852	17,367	85,796	46,383
Total revenue	12,120,234	11,656,611	19,944,763	17,532,477
Cost and expenses:				
Citrus production, harvesting and marketing	5,631,314	5,153,275	9,005,962	8,294,764
Sugarcane production and harvesting	3,146,714	2,960,007	4,198,186	3,752,360
Ranch	143,914	191,871	1,672,830	638,812
Real estate expenses	161,650	113,157	258,854	228,431
Interest	173,393	318,034	309,704	536,605
Other, general and administrative	704,327	536,821	1,354,914	1,058,905
Total costs and expenses	9,961,312	9,273,165	16,800,450	14,509,877
Income before income taxes	2,158,922	2,383,446	3,144,313	3,022,600
Provision for income taxes	758,888	843,020	1,096,953	1,061,161

Net income	1,400,034	1,540,426	2,047,360	1,961,439
Retained earnings beginning of period	66,301,277	59,593,333	68,113,690	60,929,277
Dividends paid	-	-	(2,459,739)	(1,756,957)
Retained earnings end of period	\$67,701,311	\$61,133,759	\$67,701,311	\$61,133,759
Weighted average number of shares outstanding	7,027,827	7,027,827	7,027,827	7,027,827
Per share amounts:				
Net income	\$ .20	\$ .22	\$ .29	\$ .28
Dividends	\$ -	\$ -	\$ .35	\$ .25

<FN>  
See accompanying notes to condensed consolidated financial statements.  
</TABLE>

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

FORM 10-Q

	(Unaudited) February 29, 1996	(Audited) August 31, 1995		
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ASSETS				
	<C>	<C>		
Current assets:				
Cash and cash investments	\$ 889,699	\$ 1,148,733		
Marketable Securities	10,066,017	9,410,936		
Accounts and mortgage notes receivable	10,147,041	7,854,254		
Inventories	11,188,228	13,057,136		
Prepaid expenses	86,046	101,461		
Interest receivable	230,012	163,342		
Total current assets	32,607,043	31,735,862		
Mortgage notes receivable, non-current	2,229,737	2,229,528		
Land held for development and sale	7,702,281	7,322,740		
Investments	912,428	925,785		
Other	64,427	42,983		
Property, buildings and equipment	94,673,318	91,703,367		
Less: Accumulated depreciation	(26,557,559)	(24,953,086)		
Total assets	\$111,631,675	\$109,007,179		

CONDENSED CONSOLIDATED BALANCE SHEETS  
(See Accountants' Review Report)  
(Continued)

	(Unaudited) February 29, 1996	(Audited) August 31, 1995		
<S>				
LIABILITIES				
	<C>	<C>		
Current liabilities:				
Accounts payable	\$ 1,657,138	\$ 949,397		
Due to profit sharing plan	-	217,968		
Accrued ad valorem taxes	281,979	1,076,241		
Accrued donation (See Note 6)	1,449,592	1,638,038		
Accrued expenses	119,364	136,597		

Income taxes payable	234,183	254,393
Deferred income taxes	1,704,822	1,383,820
	<hr/>	<hr/>
Total current liabilities	5,447,078	5,656,454
Note payable to bank	19,350,000	16,055,000
Deferred income taxes	11,551,104	11,674,524
Deferred retirement benefits	206,516	214,945
	<hr/>	<hr/>
Total liabilities	36,554,698	33,600,923
	<hr/>	<hr/>
STOCKHOLDERS' EQUITY		
Common stock	\$ 7,027,827	\$ 7,027,827
Unrealized gains on marketable securities	347,839	264,739
Retained earnings	67,701,311	68,113,690
	<hr/>	<hr/>
Total stockholders' equity	75,076,977	75,406,256
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$111,631,675	\$109,007,179
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<FN>

See Accompanying notes to condensed consolidated financial statements.

</TABLE>

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

	(Unaudited)	
	Six Months Ended	
	Feb. 29, 1996	Feb. 28, 1995
<S>		
Cash flows from operating activities:		
Net income	<C> \$ 2,047,360	<C> \$ 1,961,439
Adjustments to reconcile net income to cash provided from (used for) operating activities:		
Depreciation	2,093,538	2,049,189
Accrued donation	(188,446)	(93,700)
Net decrease in current assets and liabilities	(840,910)	(737,115)
Deferred income taxes	147,446	(108,041)
Other	(584,794)	(267,991)
	<hr/>	<hr/>
Net cash provided from operating activities	2,674,194	2,803,781
	<hr/>	<hr/>
Cash flows from (used for) investing activities:		
Purchases of property and equipment	(3,584,697)	(4,409,677)
Proceeds from sales of property and equipment	204,693	104,300
Purchases of marketable securities	(3,013,372)	(991,022)
Proceeds from sales of marketable securities	2,601,252	609,149
	<hr/>	<hr/>
Net cash used for investing activities	(3,792,124)	(4,687,250)
	<hr/>	<hr/>
Cash flows from (used for) financing activities:		
Notes receivable collections	23,635	40,139
Repayment of bank loan	(6,441,000)	(6,245,000)
Proceeds from bank loan	9,736,000	9,678,000
Dividends paid	(2,459,739)	(1,756,957)
	<hr/>	<hr/>
Net cash provided from financing activities	858,896	1,716,182
	<hr/>	<hr/>
Net increase (decrease) in cash and cash investments	\$ (259,034)	\$ (167,287)
	<hr/>	<hr/>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 300,528	\$ 445,318
	<hr/>	<hr/>
Cash paid for income taxes	\$ 1,105,000	\$ 765,000
	<hr/>	<hr/>

<FN>

See accompanying notes to condensed consolidated financial statements.

</TABLE>

ALICO, INC. AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(See Accountants' Review Report)

1. Basis of financial statement presentation:

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Saddlebag Lake Resorts, Inc., 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, 1995. In the opinion of Management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of its consolidated financial position at February 29, 1996 and August 31, 1995 and the consolidated results of operations and cash flows for the six months ended February 29, 1996 and February 28, 1995.

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 \$1,087,772 in 1996 and \$1,770,146 in 1995. The results of operations for the stated periods are not necessarily indicative of results to be expected for the full year.

2. Recognition of revenue for real estate sales

Mortgage notes receivable 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. Inventories:

A summary of the Company's inventories (in thousands) is shown below:

	February 29, 1996	August 31, 1995
Unharvested fruit crop on trees	\$ 5,226	\$ 6,027
Unharvested sugarcane	414	2,138
Beef cattle	5,194	4,429
Sod	354	463
Total inventories	\$11,188	\$13,057

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4. Income taxes:

The provision for income taxes for the quarters ended February 29, 1996 and February 28, 1995 is summarized as follows:

<S>	Three Months Ended		Six Months Ended	
	Feb. 29, 1996	Feb. 28, 1995	Feb. 29, 1996	Feb. 28, 1995
	<C>	<C>	<C>	<C>
Current:				
Federal income tax	\$ 521,295	\$ 702,407	\$ 870,158	\$ 979,517
State income tax	82,118	135,545	140,440	164,411
	603,413	837,952	1,010,598	1,143,928
Deferred:				
Federal income tax	140,477	11,328	78,025	(71,628)
State income tax	14,998	(6,260)	8,330	(11,139)
	155,475	5,068	86,355	(82,767)
Total provision for income taxes	\$ 758,888	\$ 843,020	\$1,096,953	\$1,061,161

Following is a reconciliation of the expected income tax expense computed at the U.S. Federal statutory rate of 34% and the actual income tax provision for the quarters ended February 29, 1996 and February 28, 1995:

	Three Months Ended	Six Months Ended
	February 29,	February 29,
	February 28,	February 28,

<S>	1996	1995	1996	1995
	<C>	<C>	<C>	<C>
Expected income tax	\$ 734,033	\$ 810,372	\$1,069,066	\$1,027,684
Increase (decrease) resulting from:				
State income taxes, net of federal benefit	78,369	86,519	114,139	109,720
Nontaxable interest and dividends	(38,004)	(50,552)	(80,104)	(100,158)
Other reconciling items, net	(15,510)	(3,319)	(6,148)	23,915
Total provision for income taxes	\$ 758,888	\$ 843,020	\$1,096,953	\$1,061,161

</TABLE>

The Company is currently under examination by the Internal Revenue Service for the years ended August 31, 1992, 1991 and 1990. The adjustments proposed to date by the Internal Revenue Service would result in approximately \$6.9 million in additional income taxes. When the matter is resolved, any income taxes due will become currently payable. However, the majority of the proposed adjustments relate to the timing of recognition of certain income and expense items already provided for in the Company's deferred tax liability accounts.

A partial settlement was reached with the Internal Revenue Service during April of 1995. A payment of \$385,043 was made consisting of \$260,259 taxes and \$124,784 interest. The items conceded related to the timing of recognition of certain items previously expensed. The effect of this payment was to increase interest expense by \$124,784 and reduce the current deferred tax liability by \$260,259.

#### 5. Indebtedness:

The Company has a financing agreement with a commercial bank that permits the Company to borrow up to \$25 million. The financing agreement allows the Company to borrow up to \$22,000,000 which is due in January 1998 and up to \$3,000,000 which is due on demand. The total amount of long-term debt under this agreement at February 29, 1996 and August 31, 1995 was \$19,350,000 and \$16,055,000, respectively.

Interest cost expensed and capitalized during the six months ended February 29, 1996 and February 28, 1995 was as follows:

	1996	1995
Interest expensed	\$309,704	\$536,605
Interest capitalized	344,122	241,181
Total interest cost	\$653,826	\$777,786

#### 6. Commitment:

During October 1992 the Company entered into an agreement to donate land, improvements and other items, to the State of Florida, to be used as a site for a new university. The gift included 975 acres of land, road construction, engineering and planning services, assistance with utility costs and academic chairs. The commitment was recorded as a contribution in May 1994 when the title to the land was transferred. Costs related to road construction have been accrued and capitalized into land. Other costs will be expensed as incurred.

#### 7. Accountants' review report:

The accompanying unaudited condensed consolidated financial statements have been reviewed by the Company's independent auditors in accordance with standards for such limited reviews established by the American Institute of Certified Public Accountants. The report of such auditors with respect to their limited review is attached hereto as Exhibit A.

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

### LIQUIDITY AND CAPITAL RESOURCES:

Working capital increased to \$27,159,965 at February 29, 1996, up from \$26,079,408 at August 31, 1995. As of February 29, 1996, the Company had cash and cash investments of \$889,699 compared to

\$1,148,733 at August 31, 1995. Marketable securities increased from \$9,410,936 to \$10,066,017 during the same period. The ratio of current assets to current liabilities increased from 5.61 to 1 at August 31, 1995 to 5.99 to 1 at February 29, 1996. Total assets increased by \$2,624,496 from \$109,007,179 at August 31, 1995 to \$111,631,675 at February 29, 1996.

The working capital increase (\$1,080,557) is primarily the result of an increase in accounts and mortgage notes receivable (\$7,854,254 vs. \$10,147,041 at August 31, 1995 and February 29, 1996, respectively). An increase in the boxes of citrus harvested compared to the prior year, coupled with improved prices for citrus products, has caused an increase in both revenues and the related accounts receivable.

In connection with a financing agreement with a commercial bank (See Note 5 under Notes to Condensed Consolidated Financial Statements), the Company has an unused availability of funds of approximately \$5.7 million at February 29, 1996.

#### RESULTS OF OPERATIONS:

When compared to the second quarter a year ago, net income decreased \$140,392, however, net income for the six months ended February 29, 1996 increased \$85,921 over the prior year. Income before income taxes increased \$121,713 during the first six months and decreased by \$224,524 during the second quarter of fiscal 1996, when compared to the same periods a year ago. This was largely due to earnings from agricultural activities (\$2,429,241 vs. \$2,687,957 for the second quarter, and \$3,565,260 vs. \$3,528,165 during the first half of fiscal 1996 and 1995, respectively).

Citrus earnings decreased during the second quarter of fiscal 1996 when compared to the same period last year (\$1,501,868 vs. \$1,649,543). The average cost per unit has increased from the prior year (\$4.23 per box in 1996 vs. \$4.06 in 1995), the result of increased depreciation and ad valorem costs related to young groves coming into production, coupled with an increase in direct production costs due to current growing conditions. Year to date earnings are slightly higher for this division (\$2,297,380 vs. \$1,955,521 during the six months ended February 29, 1996, and February 28, 1995, respectively) due primarily to improved market prices combined with an increase in the number of boxes and pounds of solids produced.

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#### ITEM 2. Management's Discussion RESULTS OF OPERATIONS (Continued):

Sugarcane earnings approximated those of the same period a year ago, both for the three months ended February 29, 1996 (\$875,595 vs. \$900,717 for February 29, 1996 and February 28, 1995, respectively) and for the six months then ended (\$1,210,447 vs. \$1,270,468 in 1996 and 1995, respectively). This is expected to continue throughout the remainder of the fiscal year as total acreage and gross tons harvested are expected to equal the prior year.

Ranch earnings decreased \$85,919 during the second quarter of fiscal 1996, compared to the second quarter of fiscal 1995 (\$51,778 vs. \$137,697, respectively). A decrease in market prices for beef is the primary cause for the decrease in profits for this division, and has also caused profits to decline when compared to the first six months of last year (\$57,433 vs. \$302,176 for the six months ended February 29, 1996, and February 28, 1995, respectively).

Construction activities are expected to commence soon for the new Florida Gulf Coast University, scheduled to open in August 1997. The Company is continuing its marketing and permit activities for its land which surrounds the University site.

PART II. OTHER INFORMATION

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

(a) Exhibits:

- A. Accountant's Report.
- B. Computation of Weighted Average Shares Outstanding at February 29, 1996.
- C. Exhibit 27 - Financial Data Schedule.

(b) Reports on Form 8-K.

None.

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)

April 12, 1996  
Date

W. Bernard Lester  
Executive Vice President  
and Chief Operating Officer  
(Signature)

April 12, 1996  
Date

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

April 12, 1996  
Date

Patrick W. Murphy  
Controller  
(Signature)

EXHIBIT A

INDEPENDENT ACCOUNTANTS' 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 subsidiary as of February 29, 1996, and the related condensed consolidated statements of operations and retained earnings for the three-month and six-month periods ended February 29, 1996 and February 28, 1995, and the related condensed consolidated statements of cash flows for the six-month periods ended February 29, 1996 and February 28, 1995. 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 obtaining an understanding of the system for the preparation of interim financial information, 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 in accordance with generally accepted auditing standards, 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 generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Alico, Inc. and subsidiary as of August 31, 1995 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 16, 1995, 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, 1995, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG PEAT MARWICK LLP  
(Signature)

Orlando, Florida  
April 5, 1996

FORM 10-Q

ALICO, INC.

Computation of Weighted Average Shares Outstanding as of February 29, 1996:

Number of shares outstanding at August 31, 1995	7,027,827
	_____
	_____
Number of shares outstanding at February 29, 1996	7,027,827
	_____
	_____
Weighted Average 9/1/95 - 2/29/96	7,027,827
	_____
	_____

EXHIBIT B



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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET OF ALICO, INC. AND SUBSIDIARY AS OF FEBRUARY 29, 1996 AND THE RELATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS AND CASH FLOWS FOR THE SIX MONTHS THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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