

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549  
FORM 10-K

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

For the fiscal year ended August 31, 1998.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.  
Commission file number 0-261.

ALICO, INC.

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

Florida

59-0906081

\_\_\_\_\_  
(State or other jurisdiction of  
incorporation or organization)

\_\_\_\_\_  
(I.R.S. Employer  
Identification No.)

P. O. Box 338, La Belle, Florida

33975

\_\_\_\_\_  
(Address of principal executive offices)

\_\_\_\_\_  
(Zip Code)

(941) 675-2966

\_\_\_\_\_  
Registrant's telephone number, including area code

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
None	None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON CAPITAL STOCK, \$1.00 Par value, Non-cumulative

\_\_\_\_\_  
(Title of Class)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 such registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

As of October 19, 1998 there were 7,027,827 shares of stock outstanding and the aggregate market value (based upon the average bid and asked price, as quoted on NASDAQ) of the common stock held by nonaffiliates was approximately \$61,156,635.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Annual Report and Proxy Statement dated November 9, 1998 are incorporated by reference in Parts II and III, respectively.

PART I

Item 1. Business.

Alico, Inc. (the "Company") is generally recognized as an agribusiness company operating in Central and Southwest Florida. The Company's primary asset is 151,067 acres of land located in Collier, Hendry, Lee and Polk Counties. (See table on Page 5 for location and acreage by current primary use.) The Company is involved in various operations and activities including citrus fruit production, cattle ranching, sugarcane and sod production, and forestry. The Company also leases land for farming, cattle grazing, recreation, and oil exploration.

The Company's land is managed for multiple use wherever possible. Cattle ranching, forestry and land leased for farming, grazing, recreation and oil exploration, in some instances, utilize the same acreage.

Agricultural operations have combined to produce from 68 to 91 percent of annual revenues during the past five years. Citrus groves generate the most gross revenue. Sugarcane ranks second in revenue production. While the cattle ranching operation utilizes the largest acreage, it ranks third in the production of revenue. Approximately 10,006 acres of the Company's property are classified as timberlands, however, the area in which these

lands are located is not highly rated for timber production. These lands are also utilized as native range, in the ranching operation, and leased out for recreation and oil exploration.

Diversification of the Company's agricultural base was initiated with the development of a Sugarcane Division at the end of the 1988 fiscal year. The 5,698 acres in production during the 1998 fiscal year consisted of 565 acres planted in 1993, 1,558 acres planted in 1994, 1,496 acres planted in 1995, and 2,079 acres planted in 1997.

The Company continued to expand agriculture activities during the 1998 fiscal year, purchasing additional property (approximately 8,400 acres in Hendry County, Florida) primarily to be used as sugarcane land.

Leasing of lands for rock mining and oil and mineral exploration, rental of land for grazing, farming, recreation and other uses, while not classified as agricultural operations, are important components of the Company's land utilization and operation. Gross revenue from these activities during the past five years has ranged from 3 to 5 percent of total revenue.

The Company is not in the land sales and development business, except through its wholly owned subsidiary, Saddlebag Lake Resorts, Inc.; however, it does from time to time sell properties which, in the judgment of management, are surplus to the Company's primary operations. Gross revenue from land sales during the past five years has ranged from 1 to 24 percent of total revenues.

For further discussion of the relative importance of the various segments of the Company's operations, including financial information regarding revenues, operating profits (losses) and assets attributable to each major segment of the Company's business, see Note 10 of Notes to Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated in this document.

#### Subsidiary Operations

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The Company's wholly owned subsidiary, Saddlebag Lake Resorts, Inc. (the "Subsidiary"), is only active in the subdividing, development and sale of real estate. The financial results of the operation of this subsidiary are consolidated with those of the Company. (See Note 1 of Notes to Financial Statements.)

Contributions by the Subsidiary to the net income of the Company, during the past five years, have ranged from 0 to 1 percent. The Subsidiary has two subdivisions near Frostproof, Florida which have been developed and are on the market. Approximately 74% of the lots have been sold.

#### Citrus

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Approximately 8,836 acres of citrus were harvested during the 1998 season. Since 1983 the Company has maintained a marketing contract covering the majority of the Company's citrus crop with Ben Hill Griffin, Inc., a Florida corporation and major shareholder. The agreement provides for modifications to meet changing market conditions and provides that either party may terminate the contract by giving notice prior to August 1st, preceding the fruit season immediately following. Under the terms of the contract the Company's fruit is packed and/or processed and sold along with fruit from other growers, including Ben Hill Griffin, Inc. The proceeds are distributed on a pro rata basis as the finished product is sold. During the year ended August 31, 1998, approximately 90% of the Company's fruit crop was marketed under this agreement, as compared to 89% in 1996/97. The Company expects that the majority of the 1998/99 crop will be marketed under the same terms. In addition, Ben Hill Griffin, Inc. provides harvesting services to the Company for citrus sold to unrelated processors. These sales accounted for the remaining 10% of total citrus revenue for the year.

#### Ranch

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The Company has a cattle operation located in Hendry and Collier Counties, Florida which is engaged primarily in the production of beef cattle and the raising of replacement heifers. The breeding herd consists of approximately 16,200 cows, bulls and replacement heifers. Approximately 39% of the herd are from one to five years old, while the remaining 61% are six and older. The Company primarily sells to packing and processing plants. The Company also sells cattle through local livestock auction markets and to contract cattle buyers. These buyers provide ready markets for the Company's cattle. The loss of any one or a few of these plants and/or buyers would not, in management's view, have a material adverse effect on the Company's cattle operation. Subject to prevailing market conditions, the Company may hedge its beef inventory by entering into cattle futures contracts to reduce exposure to changes in market prices.

#### Sugarcane

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The Company had 5,698 acres and 5,042 acres of sugarcane in production during the 1997/98 and 1996/97 fiscal years, respectively. The 1997/98 and

1996/97 crops yielded approximately 204,000 and 158,000 gross tons, respectively.

#### Forest Products

Approximately 7% of the Company's properties are classified as timberlands. The principal forest products sold by the Company are pulpwood and sabal palms. These products are sold to a paper company and various landscaping companies, respectively. The Company does not incur any of the harvesting expenses.

Part of the lands, from which the timber was removed, is being converted to semi-improved pasture and other uses.

#### Land Rental for Grazing, Agricultural and Other Uses

The Company rents lands to others for grazing, farming and recreational uses, on a tenant-at-will basis, for an annual fee. The income is not significant when compared to overall gross income, however, it does help to offset the expense of carrying these properties until they are put to a more profitable use. The Company has developed additional land to lease for farming.

There were no significant changes in the method of rental for these purposes during the past fiscal year.

#### Leases for Oil and Mineral Exploration

The Company has leased subsurface rights to a portion of its properties for the purpose of oil and mineral exploration. Currently, there are two leases in effect.

Twenty-four wells have been drilled during the years that the Company has been leasing subsurface rights to oil companies. The drilling has resulted in twenty-one dry holes, one marginal producer, which has been abandoned, and two average producers, still producing.

#### Mining Operations: Rock and Sand

The Company leases 7,927 acres in Lee County, Florida to Florida Rock Industries, Inc. of Jacksonville, Florida for mining and production of rock, aggregate, sand, baserock and other road building and construction materials.

Royalties which the company receives for these products are based on a percentage of the f.o.b. plant sales price.

#### Competition

As indicated, the Company is primarily engaged in a limited number of agricultural activities, all of which are highly competitive. For instance, citrus is grown in several states, the most notable of which are: Florida, California, Arizona and Texas. In addition, citrus and sugarcane products are imported from some foreign countries. Beef cattle are produced throughout the United States and domestic beef sales must also compete with sales of imported beef. Additionally, forest and rock products are produced in most parts of the United States. Leasing of land for oil exploration is also widespread.

The Company's share of the market for citrus, cattle and forest products in the United States is insignificant.

#### Environmental Regulations

The Company's operation is subject to various federal, state and local laws regulating the discharge of materials into the environment. The Company is in substantial compliance with all such rules and such compliance has not had a material effect upon capital expenditures, earnings or the competitive position of the Company.

While compliance with environmental regulations has not had a material economic effect on the Company's operations, executive officers are required to spend a considerable amount of time keeping current on these matters. In addition, there are ongoing costs incurred in complying with the permitting and reporting requirements.

#### Employees

At the end of August 1998 the Company had a total of 119 full-time employees classified as follows: Citrus 51; Ranch 19; Sugarcane 9; Facilities Maintenance Support 25; General and Administrative 15. There are no employees engaged in the development of new products or research.

#### Seasonal Nature of Business

As with any agribusiness enterprise, the Company's business operations are predominantly seasonal in nature. The harvest and sale of citrus fruit

generally occurs from October to June. Sugarcane is harvested during the first, second and third quarters. Other segments of the Company's business such as its cattle and sod sales, and its timber, mining and leasing operations, tend to be more successive than seasonal in nature.

Item 2. Properties.

At August 31, 1998, the Company owned a total of 151,067 acres of land located in four counties in Florida. Acreage in each county and the primary classification with respect to present use of these properties is shown in the following table:

<TABLE>  
<CAPTION>

ACREAGE BY CURRENT PRIMARY USE

<S>

County	Timber Land	Native Pasture	Improved Pasture	Sod	Citrus Land	Sugar-cane	Agri-culture	Other	Total
Polk	550	9,351	447	--	3,148	--	--	4	13,500
Lee	3,731	1,088	--	--	--	--	1,460	3,599	9,878
Hendry	3,823	56,026	26,495	220	2,299	7,343	16,630	3,629	116,465
Collier	1,902	1,836	1,112	--	4,041	--	--	2,333	11,224
Totals	10,006	68,301	28,054	220	9,488	7,343	18,090	9,565	151,067

</TABLE>

Of the above lands, the Company utilizes 26,407 acres of improved pasture plus approximately 56,000 acres of native pasture for cattle production and 7,927 acres are leased for rock mining operations. Much of the land is also leased for multi-purpose use such as cattle grazing, oil exploration, agriculture and recreation.

In addition to the land shown in the above table, the Company owns full subsurface rights to 1,064 acres and fractional subsurface rights to 18,882 acres.

From the inception of the Company's initial development program in 1948, the goal has been to develop the lands for the most profitable use. Prior to implementation of the development program, detailed studies were made of the properties focusing on soil capabilities, topography, transportation, availability of markets and the climatic characteristics of each of the tracts. Based on these and later studies, the use of each tract was determined. It is the opinion of Management that the lands are suitable for agricultural, residential and commercial uses. However, since the Company is primarily engaged in agricultural activities, some of the lands are considered surplus to its needs for this purpose and, as indicated under Item 1 of this report, sales of real property are made from time to time.

Management believes that each of the major programs is adequately supported by agricultural equipment, buildings, fences, irrigation systems and other amenities required for the operation of the projects.

Item 3. Legal Proceedings.

There are no pending legal proceedings involving the Company.

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

There were no matters submitted to a vote of security holders during the 1998 fiscal year.

Executive Officers of the Company

Pursuant to General Instruction G(3) of Form 10-K/A, the following list is included as an unnumbered Item in Part I of this report in lieu of being included in the Proxy Statement for the Annual Meeting of Stockholders to be held on December 1, 1998.

Election of Executive Officer is held each year at the Annual Meeting of the Board of Directors following the Annual Meeting of the Stockholders.

Name	Title	Age
Ben Hill Griffin, III	Chairman of the Board (since March 1990), Chief Executive Officer (since January 1988) and Director (since March 1973)	56
W. Bernard Lester	President (since December 1997) and Chief Operating Officer (since January 1988) and	

Director (since 1987), prior to July 1, 1986 was Executive Director of Florida Department of Citrus for over five years

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L. Craig Simmons Vice President (effective February, 1995), Treasurer and Chief Financial Officer (effective September 1, 1992), prior thereto was Controller (from January 1 to August 31, 1992) and Assistant Comptroller (from January 1 to December 31, 1991), prior to September 1990 was Controller of Farm/Citrus Division, Collier Enterprises, Agribusiness Group

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Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company pursuant to Rule 16a-3(e) during the 1998 fiscal year and Forms 5 and amendments thereto furnished to the Company during fiscal year 1992 and certain written representations, if any, made to the Company, no officer, director or beneficial owners of 10% or more of the Company's common stock has failed to file on a timely basis any reports required by Section 16(a) of the Exchange Act to be filed during fiscal 1998.

## PART II

### Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters.

#### Common Stock Prices

The common stock of Alico, Inc. is traded over-the-counter on the NASDAQ National Market System under the symbol ALCO. The high and low sales prices, by fiscal quarter, during the years ended August 31, 1998 and 1997 are presented below:

<TABLE>  
<CAPTION>

	1998 Bid Price		1997 Bid Price	
	High <C>	Low <C>	High <C>	Low <C>
First Quarter	25 1/2	23 7/8	22 1/4	19 1/4
Second Quarter	24 1/2	19 1/2	21 1/4	18
Third Quarter	23	19 3/4	20 1/2	17 5/8
Fourth Quarter	20 3/4	17 5/8	25 1/4	18 1/2

#### Approximate Number of Holders of Common Stock

As of October 19, 1998 there were approximately 854 holders of record of Alico, Inc. Common Stock.

#### Dividend Information

Only year-end dividends have been paid, and during the last three fiscal years were as follows:

Record Date	Payment Date	Amount Paid Per Share
October 20, 1995	November 10, 1995	\$.35
October 25, 1996	November 8, 1996	\$.15
October 20, 1997	November 7, 1997	\$.60

Dividends are paid at the discretion of the Company's Board of Directors. The Company foresees no change in its ability to pay annual dividends in the immediate future; nevertheless, there is no assurance that dividends will be paid in the future since they are dependent upon earnings, the financial condition of the Company, and other factors.

### Item 6. Selected Financial Data.

<TABLE>  
<CAPTION>

DESCRIPTION	Years Ended August 31,				1994
	1998	1997	1996	1995	

	(In Thousands Except Per Share Amounts)				
	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 44,679	\$ 47,433	\$ 36,089	\$ 39,571	\$ 38,502
Costs and Expenses	33,654	29,583	29,269	25,105	26,799
Income Taxes	4,249	6,677	2,381	5,525	3,975
Net Income	6,776	11,173	4,439	8,941	7,728
Average Number of					
Shares Outstanding	7,028	7,028	7,028	7,028	7,028
Basic Earnings Per Share	.96	1.59	.63	1.27	1.10
Cash Dividend Paid per Share	.60	.15	.35	.25	.15
Current Assets	42,354	37,887	34,877	31,736	28,341
Total Assets	130,554	117,723	114,504	109,007	102,185
Current Liabilities	5,649	4,988	5,115	5,656	5,660
Ratio-Current Assets					
to Current Liabilities	7.50:1	7.59:1	6.82:1	5.61:1	5.01:1
Working Capital	36,705	32,899	29,762	26,080	22,680
Long-Term Obligations	34,938	24,582	32,006	27,945	28,568
Total Liabilities	40,587	29,570	37,121	33,601	34,228
Stockholders' Equity	89,967	88,153	77,383	75,406	67,957

</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion focuses on the results of operations and the financial condition of Alico.

This section should be read in conjunction with the consolidated financial statements and notes.

Liquidity and Capital Resources

The Company had cash and marketable securities of \$13.2 million at August 31, 1998 compared with \$12.9 million at August 31, 1997. Working capital also increased, from \$32.9 million at August 31, 1997 to \$36.7 million at August 31, 1998. An increase in citrus prices has caused accounts receivable to increase and is the primary reason for the increase in working capital.

During the fourth quarter, the Company purchased approximately 8,400 acres of land in Hendry County, Florida from Atlantic Gulf Communities, Inc. for \$8.1 million. Funds for the purchase came from the Company's credit line (see note 5 of the consolidated financial statements). The purchase enabled the Company to take advantage of an income tax deferral arising from a sale of property in Polk County, Florida, to the State of Florida during fiscal 1995. With this purchase, the Company was able to defer, for income tax purposes, recognition of the gain on the Polk County sale by replacing the property within the stipulated three-year period.

Cash outlay for land, equipment, building, and other improvements totaled \$12.2 million, compared to \$5.8 million during August 31, 1998 and 1997, respectively. Major expenditures included the land purchase discussed above, as well as capitalized maintenance costs for young citrus groves. Land excavation for farm leasing also continued, as did expenditures for replacement equipment, raising of breeding cattle and sugarcane capital maintenance. Capital projects for the upcoming year are expected to include development of additional sugarcane acreage.

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 unused credit commitments which provided for revolving credit of up to \$30 million of which \$7.2 million was available for the Company's general use at August 31, 1998 (see note 5 of consolidated financial statements).

Year 2000 Compliance

The Company recognizes that year 2000 issues could result in system failures or miscalculations causing disruptions of operations, including, among others, a temporary inability to process transactions, send invoices or engage in similar normal business activities.

The Company has been engaged in an evaluation of its year 2000 readiness in connection with various aspects of its business. Specifically, the Company has focused on its information technology and non-information technology systems. In addition, the Company has analyzed its production processes and products. The Company has also attempted to analyze year 2000 issues relating to third parties with whom the Company has a business relationship. The current status of the Company's efforts is as follows:

Internal Systems, Processes and Products

Information Technology Systems:

The Company's accounting software provider and operating system provider have advised the Company that such software is year 2000 compliant.

#### Non-Information Technology Systems:

The Company does not believe that non-information technology systems are material to its business; however, the Company has begun reviewing and testing such systems. The Company does not believe that it will incur any material costs in connection with the review and testing of such systems.

#### Products:

The Company's products are not date sensitive. Therefore, the Company does not believe it has any material exposure with regard to its products as a result of the year 2000 issue.

#### Year 2000 Issues Relating to Third Parties

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#### Suppliers:

Certain products purchased by the Company are obtained from a limited group of suppliers. The Company surveyed such suppliers in 1998 regarding their year 2000 status. Absent widespread difficulties affecting several major vendors, the Company does not anticipate that vendors' year 2000 issues would have a material adverse effect on the Company, because the Company believes alternative sources of supply are available for all required components.

The Company is not currently aware of the year 2000 readiness of certain outside services companies. Any adverse effect caused by the failure of these providers to be year 2000 compliant is not currently susceptible to quantification.

#### Customers:

Because the Company intends to distribute the majority of its agricultural products through third party distribution and marketing agreements, and because the customer base is expected to change from year to year, the Company is unable to predict the identity of most of its major customers in the year 2000 and thereafter. Accordingly, the Company is unable to make an inquiry as to whether the customers' computer driven payment or purchasing processes are year 2000 compliant. A customer's year 2000 issues could cause a delay in receipt of purchase orders or in payment. If year 2000 issues are widespread among the Company's customers, the Company's sales and cash flow could be materially affected.

#### Cautionary Statement

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This annual report of form 10-K contains certain forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of various factors, including but not limited to, the competitive environment of the Company's products, weather forces and government regulations.

#### Results of Operations

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#### Summary of results (in thousands):

<TABLE>  
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	Years Ended August 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Operating revenue	\$41,618	\$34,543	\$34,505
Gross profit	9,532	5,886	6,720
Profit on sale of real estate	875	11,271	57
Interest and investment income	1,734	1,137	1,033
Interest expense	1,116	444	990
Provision for income taxes	4,249	6,677	2,381
Effective income tax rate	38.5%	37.4%	34.9%
Net income	6,776	11,173	4,439

</TABLE>

#### Operating Revenue

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Operating revenues (revenues other than real estate sales and investment income) for fiscal 1998 increased when compared to those of fiscal 1997. Revenues from agriculture operations were higher than in the prior year.

Operating revenues for fiscal 1997 approximated those of fiscal 1996. Decreases in citrus and sugarcane sales were offset by increased cattle and rock sales, and increased land rentals.

#### Gross Profit

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Gross profit from operations during fiscal 1998 increased by 62% over fiscal 1997. The increase was primarily due to larger harvest volume for sugarcane, combined with improved market prices for citrus products.

Gross profit during fiscal 1997 declined by 12% from fiscal 1996. The decrease was primarily due to lower market prices for citrus products and decreased sugarcane production.

#### Profit on Sale of Real Estate

Profit from the sale of real estate was \$875 thousand during fiscal 1998, as compared to \$11.27 million during fiscal 1997. Sales during 1998 included residential lot sales in Polk County, sales in Lee County and additional proceeds resulting from a final survey of the large fiscal 1997 land sale in Hendry County. During fiscal 1997 revenues included the sale of approximately 21,700 acres of land in Hendry and Collier Counties, Florida, to the State of Florida for \$11.5 million, the pretax gain from which was \$11.1 million, and several smaller sales in Lee, Collier and Polk Counties.

Profit from the sale of real estate increased to \$11.27 million during fiscal 1997, as compared to \$57 thousand during fiscal 1996. Sales during 1997 included the sale of approximately 21,700 acres of land in Hendry and Collier Counties, Florida, to the State of Florida for \$11.5 million, the pretax gain from which was \$11.1 million, and several smaller sales in Lee, Collier and Polk Counties.

#### Interest and Investment Income

Interest and investment income is generated principally from investments in marketable equity securities, corporate and municipal bonds, mutual funds, U.S. Treasury securities and mortgages held on real estate sold on the installment basis. Investment earnings were reinvested throughout fiscal 1998, 1997 and 1996, increasing investment levels during each year. The rise in fiscal interest and investment income for the years presented resulted from higher investment levels and favorable market conditions during each of the years. During the market downturn of August 1998, the Company experienced unrealized declines in its portfolio which have been reflected in stockholders' equity, net of related taxes.

#### Interest Expense

Interest expense increased during fiscal 1998, primarily due to increased borrowings used to acquire the property from Atlantic Gulf Communities, and interest associated with settling the August 31, 1993 and 1994 income tax audits. Total interest cost, which includes capitalized interest and is discussed in Note 5 of the consolidated financial statements, increased 38%.

Interest expense decreased 56% during fiscal 1997 due primarily to a large reduction in total long-term debt, likewise, total interest cost, which includes capitalized interest and is discussed in Note 5, decreased 37%.

#### Provision for Income Taxes

The effective tax rate increased to 38.5% during fiscal year 1998, from 37.4% during fiscal year 1997, and 34.9% during fiscal year 1996. Higher taxable income levels during fiscal 1998 and 1997, combined with the impact of decreased tax exempt investment income to raise the effective rate.

#### Individual Operating Divisions

Gross profit for the individual operating divisions, for fiscal 1998, 1997 and 1996, is presented in the following schedule and is discussed in subsequent sections:

<TABLE>  
<CAPTION>

	Years Ended August 31, (in thousands)		
	1998	1997	1996
<S>	<C>	<C>	<C>
<b>CITRUS</b>			
Revenues:			
Sales	\$26,622	\$22,287	\$22,966
Less harvesting & marketing	8,421	8,210	6,948
Net Sales	18,201	14,077	16,018
Cost and Expenses:			
Direct production**	6,908	6,875	5,964
Allocated cost*	2,616	2,352	2,470
Total	9,524	9,227	8,434
Gross profit, citrus	8,677	4,850	7,584
<b>SUGARCANE</b>			
Revenues:			
Sales	6,123	4,967	5,851
Less harvesting & hauling	1,400	1,120	1,237
Net Sales	4,723	3,847	4,614
Costs and expenses:			
Direct production	1,926	1,826	1,758



Allocated cost*	1,189	1,190	1,152
	<hr/>	<hr/>	<hr/>
Total	3,115	3,016	2,910
	<hr/>	<hr/>	<hr/>
Gross profit, sugarcane	1,608	831	1,704
	<hr/>	<hr/>	<hr/>
RANCH			
Revenues:			
Sales	6,883	4,876	3,796
Costs and expenses:			
Direct production	4,715	3,165	3,890
Allocated cost*	1,552	946	1,539
	<hr/>	<hr/>	<hr/>
Total	6,267	4,111	5,429
	<hr/>	<hr/>	<hr/>
Gross profit (loss), ranch	616	765	(1,633)
	<hr/>	<hr/>	<hr/>
Total gross profit, agriculture	10,901	6,446	7,655
	<hr/>	<hr/>	<hr/>
OTHER OPERATIONS			
Revenues:			
Rock products and sand	1,203	1,258	935
Oil leases and land rentals	505	831	679
Forest products	161	224	197
Other	122	100	80
	<hr/>	<hr/>	<hr/>
Total	1,991	2,413	1,891
	<hr/>	<hr/>	<hr/>
Costs and expenses:			
Allocated Cost*	570	481	456
General and administrative, all operations	2,789	2,492	2,370
	<hr/>	<hr/>	<hr/>
Total	3,359	2,973	2,826
	<hr/>	<hr/>	<hr/>
Gross loss, other operations	(1,368)	(560)	(935)
	<hr/>	<hr/>	<hr/>
Total gross profit	9,533	5,886	6,720
	<hr/>	<hr/>	<hr/>
INTEREST & DIVIDENDS			
Revenue	1,734	1,137	1,033
Expense	1,116	444	990
	<hr/>	<hr/>	<hr/>
Interest & dividends, net	618	693	43
	<hr/>	<hr/>	<hr/>
REAL ESTATE			
Revenue:			
Sale of real estate	1,327	11,753	551
Expenses:			
Cost of sales	93	122	151
Other Costs	360	360	343
	<hr/>	<hr/>	<hr/>
Total	453	482	494
	<hr/>	<hr/>	<hr/>
Gain on sale of real estate	874	11,271	57
	<hr/>	<hr/>	<hr/>
Income before income taxes	\$11,025	\$17,850	\$ 6,820
	<hr/>	<hr/>	<hr/>

</TABLE>

\* Allocated expense includes ad valorem and payroll taxes, depreciation and insurance.

\*\* Excludes capitalized maintenance cost of groves less than five years of age consisting of \$236 thousand on 620 acres in 1998, \$875 thousand on 1,130 acres in 1997, and \$1.6 million on 1,648 acres in 1996.

#### Citrus

Gross profit was \$8.7 million in fiscal 1998, \$4.8 million in fiscal 1997, and \$7.6 million for fiscal 1996.

Revenue from citrus sales increased 19% during fiscal 1998, compared to fiscal 1997 (\$26.6 million during fiscal 1998 vs. \$22.3 million during fiscal 1997). The increase primarily resulted from higher prices for citrus products.

Production remained steady for the year (4.4 million boxes during fiscal 1998 and fiscal 1997), while average market prices per box increased (\$6.01 in fiscal 1998 vs. \$5.09 in fiscal 1997).

Harvesting and marketing costs rose slightly from the prior year, due to competing demands for labor (\$8.4 million in fiscal 1998 vs. \$8.2 million in fiscal 1997). Direct production and allocated costs also increased slightly (3%), largely due to inflation.

Revenue from citrus sales decreased 3% during fiscal 1997, compared to fiscal 1996 (\$22.3 million during fiscal 1997 vs. \$22.9 million during fiscal 1996).

Despite an 18% increase in production for the year (4.4 million boxes during fiscal 1997 vs. 3.7 million boxes during fiscal 1996), an offsetting 18% decline in the average market price per box (\$5.09 in fiscal 1997 vs. \$6.21 per box in fiscal 1996) caused the decrease.

The increase in the number of boxes harvested during fiscal 1997 generated harvesting and marketing costs in excess of the prior year (\$8.2 million in fiscal 1997 vs. \$6.9 million in fiscal 1996). Direct production and allocated costs likewise increased as a result of the rise in production. The production increase was attributable to the addition of the first phase of the KT Grove, combined with improved yields from maturing groves in South Florida.

<TABLE>  
<CAPTION>

ACREAGE BY VARIETY AND AGE

<S> VARIETY	<C> 3-4	<C> 5-6	<C> 7-8	<C> 9-10	<C> 11-12	<C> 13-14	<C> 15-16	<C> 17+	<C> Acres
Early:									
Parson Brown									
Oranges	-	-	117	30	-	-	-	-	147
Hamlin									
Oranges	386	170	62	-	714	-	110	1,574	3,016
Red Grapefruit	-	-	54	-	-	-	48	327	429
White Grapefruit	-	-	-	318	-	-	-	21	339
Tangelos	-	-	-	-	-	-	-	135	135
Navel Oranges	-	-	15	-	-	-	54	84	153
Mid Season:									
Pineapple									
Oranges	-	103	-	-	-	-	18	467	588
Queen Oranges	-	-	-	-	-	-	-	51	51
Honey									
Tangerines	80	-	-	45	-	-	-	94	219
Midsweet									
Oranges	54	110	-	-	-	-	-	-	164
Late:									
Valencia									
Oranges	826	310	557	329	800	-	35	1,390	4,247
Totals:	1,346	693	805	722	1,514	-	265	4,143	9,488

The final returns from citrus pools are not precisely determinable at year end. Returns are estimated each year based on the most current information available conservatively applied. Differences between the estimates and the final realization of revenues can be significant. Revenue collected in excess of prior year and year end estimates was \$2.7 million, \$1.0 million and \$1.1 million during fiscal 1998, 1997 and 1996, respectively.

#### Sugarcane

Gross profit for fiscal 1998 was \$1.6 million compared to \$831 thousand in fiscal 1997 and \$1.7 million in fiscal 1996.

Sales revenues from sugarcane increased 23% during fiscal 1998, compared to fiscal 1997 (\$6.1 million vs. \$4.9 million, respectively). During the same period, direct production and allocated costs increased by 3% (\$3.1 million

in fiscal 1998 vs. \$3.0 million in fiscal 1997).

The revenue improvement during the year was largely due to increases in acres harvested (656 additional acres) and gross tons yielded per acre. The total gross tons harvested during fiscal 1998 was 29% higher than the previous year (204 thousand gross tons harvested during fiscal 1998 vs. 158 thousand gross tons harvested during fiscal 1997). Poor weather conditions caused decreased yields during the prior year.

Sales revenues from sugarcane decreased 15% during fiscal 1997, compared to fiscal 1996 (\$4.9 million vs. \$5.9 million, respectively). During the same period, direct production and allocated costs increased by 4% (\$3.0 million in fiscal 1997 vs. \$2.9 million in fiscal 1996).

Although the acres harvested during 1997 approximated fiscal 1996 levels (roughly 5 thousand acres each year), the number of gross tons harvested during fiscal 1997 was 15% below year ago levels (158 thousand gross tons harvested during 1997 vs. 187 thousand harvested during fiscal 1996). Poor weather conditions during the growing season was the cause for the decrease in sugarcane production.

#### Ranching

The gross profit (loss) from ranch operations for fiscal 1998, 1997 and 1996 was \$616 thousand, \$765 thousand, and \$(1.6 million), respectively.

Revenues from cattle sales increased 41% during fiscal 1998, compared to fiscal 1997 (\$6.9 million in fiscal 1998 vs. \$4.9 million in fiscal 1997). The number of animals sold during the year increased 17% over the prior year (10,668 animals sold in fiscal 1998 vs. 9,095 animals sold in fiscal 1997) due to increased sales of feeder cattle inventories during the year.

Direct and allocated costs increased from their year ago levels (\$6.3 million in fiscal 1998 vs. \$4.1 million in fiscal 1997). The costs increased as a result of the increase in the number of animals sold, and the type of animals sold. During the prior year, the Company sold a larger number of fully depreciated brood cows, resulting in a lower cost basis and a higher profit margin per unit.

The Company's cattle marketing activities include retention of calves in feedlots, and contract and auction sales.

Revenues from cattle sales increased 28% during fiscal 1997, compared to fiscal 1996 (\$4.9 million in fiscal 1997 vs. \$3.8 million in fiscal 1996). The number of animals sold during the year increased 26% over the prior year (9,095 animals sold in fiscal 1997 vs. 7,211 in fiscal 1996). The rise is due to increased sales of feeder cattle inventories during the year, combined with a significant improvement in market prices for beef.

Direct and allocated costs declined from their year ago levels (\$4.1 million in fiscal 1997 vs. \$5.4 million in fiscal 1996). Due to market conditions, the Company was required to write down its fiscal 1996 beef inventory to net realizable value. This adjustment totaled \$909 thousand. Additionally, in fiscal 1996, the Company wrote off \$400 thousand of sod costs. The charge was included in ranching costs. The sod write off was necessary because of excessive rain and subsequent weed intrusion.

#### Other Operations

Revenues from oil royalties and land rentals were \$505 thousand for fiscal 1998 compared to \$831 thousand for fiscal 1997 and \$679 thousand for fiscal 1996. Land rentals are expected to regain their previous levels during the next fiscal year.

Returns from rock products and sand were \$1.2 million for fiscal 1998 and 1997, and \$935 thousand for fiscal 1996. Rock and sand supplies are sufficient, and no major price changes have occurred over the past 3 years.

Profits from the sale of sabal palms, for landscaping purposes, during fiscal 1998 were \$161 thousand compared to \$169 thousand and \$197 thousand for fiscal years 1997 and 1996, respectively.

Direct and allocated expenses charged to the "Other" operations category included general and administrative and other costs not charged directly to citrus, ranching, sugarcane or forestry. These expenses totaled \$3.4 million during fiscal 1998 compared to \$3.0 million during fiscal 1997 and to \$2.8 million during fiscal 1996.

The Florida Gulf Coast University completed its first academic year since opening its doors in August 1997. The Company is continuing its marketing and permit activities for its land which surrounds the University site.

During November of 1996, the Company announced an agreement with Miromar Development, Inc. of Montreal, Canada to sell 550 acres of land surrounding the University site in Lee County for \$9.35 million. The contract calls for

25% of the purchase price to be paid at closing, with the balance payable over the next four years. If the sale closes, it will generate a pretax gain of approximately \$8.7 million.

Additionally, the Company announced an option agreement with REJ Group, Inc. The option agreement permits the acquisition of a minimum 150 acres and a maximum of 400 acres within the 2,300 acre university village. The potential pretax gain to Alico, if the option is exercised, would vary from \$8.5 million to \$24.5 million, depending on the time at which the option is exercised, and the total number of acres selected.

In October 1998, the Company signed an agreement to sell 12,728 acres of land, in Hendry and Collier Counties, Florida, to the South Florida Water Management District for \$8.8 million. Prior to closing, the agreement must be approved by the South Florida Water Management District Governing Board at its November 13, 1998 meeting and the State of Florida Cabinet at its December 8, 1998 meeting. If closed, the Company expects to recognize an \$8.6 million gain.

Also, the Company signed a purchase agreement for approximately 7,680 acres in Hendry County, Florida, from Hilliard Brothers of Florida, LTD for \$22.5 million in November 1998.

Item 8. Financial Statements and Supplementary Data.

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Independent Auditors' Report

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The Stockholders and Board of Directors  
Alico, Inc.:

We have audited the consolidated balance sheets of Alico, Inc. and subsidiary as of August 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended August 31, 1998. In connection with our audits of the consolidated financial statements, we also have audited the related consolidated financial statement schedules as listed in Item 14(a)(2) herein. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alico, Inc. and subsidiary at August 31, 1998 and 1997, and the results of their operations and cash flows for each of the years in the three-year period ended August 31, 1998, in conformity with generally accepted accounting principles. Also in our opinion, the related consolidated financial statement schedules, when considered in relation to the consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP  
(Signature)

Orlando, Florida  
October 9, 1998

<TABLE>  
<CAPTION>

CONSOLIDATED BALANCE SHEETS

	August 31,	
	1998	1997
<S>		
ASSETS		
	<C>	<C>
Current assets:		
Cash, including time deposits and other cash investments of \$849,905 in 1998 and \$1,414,436 in 1997	\$ 908,268	\$ 1,459,765
Marketable equity securities available for sale, at estimated fair value in 1998 and in 1997 (note 2)	12,291,767	11,412,915
Accounts receivable (\$8,332,514 in 1998 and \$5,549,080 in 1997 due from affiliate) (note 8)	11,093,835	7,456,937
Mortgages and notes receivable, current portion	99,673	901,112
Inventories (note 3)	17,625,923	16,387,128
Other current assets	334,577	269,463
	<hr/>	<hr/>
Total current assets	42,354,043	37,887,320
	<hr/>	<hr/>
Other assets:		
Land inventories	8,837,957	8,345,116
Mortgages and notes receivable, net of current portion	514,796	588,860
Investments	965,230	955,779
	<hr/>	<hr/>
Total other assets	10,317,983	9,889,755
	<hr/>	<hr/>
Property, buildings and equipment (note 4)	107,064,751	96,709,440
Less accumulated depreciation	(29,182,416)	(26,763,790)
	<hr/>	<hr/>
Net property, buildings and equipment	77,882,335	69,945,650
	<hr/>	<hr/>
Total assets	\$130,554,361	\$117,722,725
	<hr/> <hr/>	<hr/> <hr/>

	August 31,	
	1998	1997
<S>		
LIABILITIES AND STOCKHOLDERS' EQUITY		
	<C>	<C>
Current liabilities:		
Accounts payable	\$ 1,464,159	\$ 1,158,012
Due to profit sharing plan (note 6)	296,368	230,545
Accrued ad valorem taxes	1,329,136	1,253,053
Current portion of notes payable (note 5)	28,145	-
Accrued expenses	538,897	541,847
Income taxes payable	623,128	934,895
Deferred income taxes (note 7)	1,023,886	869,763
Deferred revenue	345,763	-
	<hr/>	<hr/>
Total current liabilities	5,649,482	4,988,115

Notes payable (note 5)	23,210,723	12,856,000
Deferred income taxes (note 7)	11,723,895	11,712,806
Deferred retirement benefits (note 6)	3,320	13,259
	<hr/>	<hr/>
Total liabilities	40,587,420	29,570,180
	<hr/>	<hr/>
Stockholders' equity:		
Preferred stock, no par value. Authorized 1,000,000 shares; issued, none	-	-
Common stock, \$1 par value. Authorized 15,000,000 shares; issued and outstanding 7,027,827 in 1998 and 1997	7,027,827	7,027,827
Unrealized gains on marketable securities (note 2)	168,345	913,059
Retained earnings	82,770,769	80,211,659
	<hr/>	<hr/>
Total stockholders' equity	89,966,941	88,152,545
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$130,554,361	\$117,722,725
	<hr/>	<hr/>

<FN>

See accompanying notes to consolidated financial statements.

</TABLE>

<TABLE>  
<CAPTION>

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended August 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Revenue:			
Citrus (including charges from affiliate (note 8))	\$26,621,714	\$22,287,006	\$22,966,004
Sugarcane	6,122,822	4,966,837	5,850,764
Ranch	6,882,149	4,875,826	3,795,612
Forest products	161,309	224,090	196,906
Rock and sand royalties	1,203,160	1,257,665	934,992
Oil lease and land rentals	505,426	831,254	679,039
Profit on sales of real estate	1,326,624	11,753,199	550,578
Interest and investment income	1,734,023	1,136,928	1,033,124
Other income	121,509	99,872	81,817
	<hr/>	<hr/>	<hr/>
Total revenue	44,678,736	47,432,677	36,088,836
	<hr/>	<hr/>	<hr/>
Costs and expenses:			
Citrus production, harvesting and Marketing (including charges from Affiliate (note8))	17,945,016	17,436,648	15,381,924
Sugarcane production, harvesting and hauling	4,514,424	4,136,302	4,147,284
Ranch	6,266,688	4,110,969	5,429,239
Real estate	451,912	481,870	494,281
Interest (note 5)	1,116,688	444,217	990,082
Other, general and administrative expenses	3,359,392	2,972,863	2,826,422
	<hr/>	<hr/>	<hr/>
Total costs and expenses	33,654,120	29,582,869	29,269,232
	<hr/>	<hr/>	<hr/>
Income before income taxes	11,024,616	17,849,808	6,819,604
Provision for income taxes (note 7)	4,248,810	6,677,116	2,380,414
	<hr/>	<hr/>	<hr/>
Net Income	6,775,806	\$11,172,692	\$ 4,439,190
	<hr/>	<hr/>	<hr/>
Weighted average number of shares outstanding	7,027,827	7,027,827	7,027,827
	<hr/>	<hr/>	<hr/>
Per share amounts:			

Basic earnings	\$	.96	\$	1.59	\$	.63
Dividends		.60	\$	.15	\$	.35

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

<TABLE>  
<CAPTION>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock Shares Issued	Common Stock Amount	Retained Earnings	Unrealized Gains (Losses) on Securi- ties
<S>	<C>	<C>	<C>	<C>	<C>
Balances, August 31, 1995	\$ -	7,027,827	\$7,027,827	\$68,113,690	\$264,739
Net income for the year ended August 31, 1996	-	-	-	4,439,190	-
Unrealized losses on securities	-	-	-	-	(3,053)
Dividends paid	-	-	-	(2,459,739)	-
Balances, August 31, 1996	-	7,027,827	7,027,827	70,093,141	261,686
Net income for the year ended August 31, 1997	-	-	-	11,172,692	-
Unrealized gains on securities	-	-	-	-	651,373
Dividends paid	-	-	-	(1,054,174)	-
Balances, August 31, 1997	-	7,027,827	7,027,827	80,211,659	913,059
Net income for the year ended August 31, 1998	-	-	-	6,775,806	-
Unrealized losses on securities	-	-	-	-	(744,714)
Dividends paid	-	-	-	(4,216,696)	-
Balances, August 31, 1998	\$ -	7,027,827	\$7,027,827	\$82,770,769	\$168,345

<FN>  
See accompanying notes to consolidated financial statements.

</TABLE>

<TABLE>  
<CAPTION>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	1998	1997	1996
<S>	<C>	<C>	<C>
Increase (Decrease) in Cash and Cash Investments:			
Cash flows from operating activities:			
Net Income	\$ 6,775,806	\$11,172,692	\$ 4,439,190
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	4,717,219	4,240,117	4,136,333
Gain on breeding herd sales	(465,482)	(526,266)	(255,277)
Deferred income tax expense, net	714,257	(259,533)	(607,302)
Deferred retirement benefits	(9,939)	(63,465)	(130,828)
Net gain on sale of marketable securities	(850,446)	(414,669)	(128,473)
(Gain) Loss on sale of property			

and equipment	(14,678)	424,915	305,485
Gain on real estate sales	(1,239,031)	(11,957,753)	(379,734)
Increase in land inventories	(492,841)	(567,174)	(455,202)
Cash provided by (used for) changes in:			
Accounts receivable	(3,636,898)	1,975,901	(2,443,469)
Inventories	(1,924,894)	(2,845,384)	(227,391)
Other assets	(65,114)	(31,425)	94,118
Deferred revenues	345,763	-	-
Accounts payable and accrued expenses	479,862	(590,994)	(275,553)
Income taxes payable	(311,767)	744,256)	(63,754)

Net cash provided by operating activities	4,021,817	1,301,218	4,008,143
---	-----------	-----------	-----------

Cash flows from investing activities:

Purchases of property and equipment	(12,186,976)	(5,752,072)	(7,141,814)
Proceeds from disposals of property and equipment	510,432	608,658	364,398
Proceeds from sale of real estate	1,393,170	12,060,060	420,364
Purchases of other assets	(51,446)	(100,896)	(215,575)
Proceeds from the sale of other assets	41,995	161,643	124,834
Purchases of marketable securities	(5,255,681)	(4,694,859)	(3,848,245)
Proceeds from sales of marketable securities	3,933,517	4,367,008	3,756,639
Collection of mortgages and notes receivable	875,503	909,120	695,321

Net cash provided by (used for) investing activities	(10,739,486)	7,558,662	(5,844,078)
--	--------------	-----------	-------------

Years Ended August 31,  
1998                      1997                      1996

<S>	<C>	<C>	<C>
Cash flows from financing activities:			
Proceeds of bank loans	31,573,868	18,749,000	17,316,000
Repayment of loans	(21,191,000)	(26,523,000)	(12,741,000)
Dividends paid	(4,216,696)	(1,054,174)	(2,459,739)

Net cash provided by (used for) financing activities	6,166,172	(8,828,174)	2,115,261
--	-----------	-------------	-----------

Net increase in cash and cash investments	(551,497)	31,706	279,326
---	-----------	--------	---------

Cash and Cash investments:

At beginning of year	1,459,765	1,428,059	1,148,733
At end of year	\$ 908,268	\$ 1,459,765	\$ 1,428,059

Supplemental disclosures of cash flow information:

Cash paid for interest, net of amount capitalized	\$ 765,210	\$ 396,988	\$ 886,239
---	------------	------------	------------

Cash paid for income taxes	\$ 3,800,198	\$ 6,183,310	\$ 3,186,861
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<FN>

See accompanying notes to consolidated financial statements.

</TABLE>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended August 31, 1998, 1997 and 1996

(1) Summary of Significant Accounting Policies

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(a) Basis of Consolidated Financial Statement Presentation

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The accompanying financial statements include the accounts of Alico, Inc. (the Company) and its wholly owned subsidiary, Saddlebag Lake Resorts, Inc. (Saddlebag), after elimination of all significant intercompany balances and transactions.

(b) Revenue Recognition

---

Income from sales of citrus under marketing pool agreements is recognized at the time the crop is harvested. The revenue is based on the Company's estimates of the amounts to be received as the sales of pooled products are completed. Fluctuation in the market prices for citrus fruit has caused the Company to recognize additional revenue from the prior year's crop totaling \$2,656,629, \$1,007,211, and \$1,087,921 during fiscal years 1998, 1997 and 1996, respectively.

(c) Real Estate

---

Real estate sales are recorded under the accrual method of accounting. Retail land sales are not recognized until payments received, including interest, aggregate 10 percent of the contract sales price for residential real estate or 20 percent for commercial real estate. Sales are discounted to yield the market rate of interest where the stated rate is less than the market rate. The recorded valuation discounts are realized as the balances due are collected. In the event of early liquidation, interest is recognized on the simple interest method.

Tangible assets that are purchased during the period to aid in the sale of the project as well as costs for services performed to obtain regulatory approval of the sales are capitalized as land and land improvements to the extent they are estimated to be recoverable from the sale of the property. Land and land improvement costs are allocated to individual parcels on a per lot basis using the relative sales value method.

The Company has entered into an agreement with a real estate consultant to assist in obtaining the necessary regulatory approvals for the development and marketing of a tract of raw land. The marketing costs under this agreement are being expensed as incurred. The costs incurred to obtain the necessary regulatory approvals are capitalized into land costs when paid. These costs will be expensed as cost of sales when the underlying real estate is sold.

(d) Marketable Securities Available for Sale

---

Marketable securities available for sale are carried at the estimate fair value of the portfolio. Net unrealized investment gains and losses are recorded net of related deferred taxes in a separate component of stockholders' equity until realized.

Fair value for debt and equity investments is based on quoted market prices at the reporting date for those or similar investments. The cost of all marketable securities available for sale are determined on the specific identification method.

(e) Inventories

---

Beef cattle inventories are stated at the lower of cost or

market. The cost of the beef cattle inventory is based on the accumulated cost of developing such animals for sale.

Unharvested crops are stated at the lower of cost or market. The cost for unharvested crops is based on accumulated production costs incurred during the eight month period from January 1 through August 31.

(f) Property, Buildings and Equipment

Property, buildings and equipment are stated at cost. Properties acquired from the Company's predecessor corporation in exchange for common stock issued in 1960, at the inception of the Company, are stated on the basis of cost to the predecessor corporation. Property acquired as part of a land exchange trust is valued at the carrying value of the property transferred to the trust.

The breeding herd consists of purchased animals and animals raised on the ranch. Purchased animals are stated at cost. The cost of animals raised on the ranch is based on the accumulated cost of developing such animals for productive use.

Depreciation for financial reporting purposes is computed on straight-line and accelerated methods over the estimated useful lives of the various classes of depreciable assets.

(g) Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(h) Basic Earnings Per Share

Earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding during the year. The Company has no diluting securities.

(i) Cash Flows

For purposes of the cash flows, cash and cash investments include cash on hand and amounts due from financial institutions with an original maturity of less than three months.

(j) Reclassifications

Certain amounts from 1997 and 1996 have been reclassified to conform to the 1998 presentation.

(k) Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that effect the reported amounts of assets and liabilities. Actual results could differ significantly from those estimates. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate.

(l) Financial Instruments and Accruals

The carrying amounts in the consolidated balance sheets for accounts receivable, accounts payable and accrued expenses approximate fair value, because of the immediate or short term maturity of these items. The carrying amounts reported for the Company's long-term debts approximate fair value, because the instrument is a variable rate note which reprices frequently.

(2) Marketable Securities Available for Sale

The Company has classified 100% of its investments in marketable securities as available-for-sale and, as such, the securities are carried at estimated fair value. Any unrealized gains and losses, net of related deferred taxes, are recorded as a net amount in a

separate component of stockholders' equity until realized.

The cost and estimated fair values of marketable securities available for sale at August 31, 1998 and 1997 (in thousands) were as follows:

<TABLE> <CAPTION>		1998				1997			
<S>	<C>	Gross Unrealized Cost	Gross Unrealized Gains	Estimated Fair Losses	Fair Value	Gross Unrealized Cost	Gross Unrealized Gains	Estimated Fair Losses	Fair Value
Equity securities		\$ 9,498	\$ 444	\$ 307	\$ 9,635	\$ 7,793	\$ 1,450	\$ 48	\$ 9,195
Debt securities		2,623	111	77	2,657	2,155	76	13	2,218
Marketable securities available for sale		\$12,121	\$555	\$384	\$12,292	\$9,948	\$1,526	\$61	\$11,413

At August 31, 1998, debt instruments (net of mutual funds of \$1,708,757) are collectible as follows: \$17,964 within one year, \$264,108 between one and five years, \$141,519 between five and ten years, and \$490,107 thereafter.

</TABLE>

### (3) Inventories

A summary of the Company's inventories (in thousands) at August 31, 1998 and 1997 is shown below:

<TABLE> <CAPTION>	1998	1997
<S>	<C>	<C>
Unharvested fruit crop on trees	\$ 7,466	\$ 6,909
Unharvested sugarcane	2,358	2,322
Beef cattle	7,535	6,993
Sod	267	163
Total inventories	\$17,626	\$16,387

</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 will be deferred, with the cost of the related cattle being adjusted when the contracts are settled.

### (4) Property, Buildings and Equipment

A summary of the Company's property, buildings and equipment (in thousands) at August 31, 1998 and 1997 is shown below:

<TABLE> <CAPTION>	1998	1997	Estimated Useful Lives
<S>	<C>	<C>	<C>
Breeding herd	\$12,588	\$12,127	5-7 years
Buildings	3,012	2,973	5-40 years
Citrus trees	20,321	19,820	22-40 years
Sugarcane	3,196	2,768	4-15 years
Equipment and other facilities	24,668	24,477	3-40 years
Total depreciable properties	63,785	62,165	
Less accumulated depreciation	29,182	26,763	

Net depreciable properties	34,603	35,402
Land and land improvements	43,279	34,544
Net property, buildings and equipment	\$77,882	\$69,946

</TABLE>

The Company's citrus trees, fruit crop, unharvested sugarcane and cattle are partially uninsured.

(5) Indebtedness

The Company has unsecured financing agreements with commercial banks that permit the Company to borrow up to \$3,000,000 which is due on demand and up to \$27,000,000 which is due in 2000. Under these agreements, there was no current debt as of August 31, 1998 and 1997. The total amount of long-term debt under this agreement at August 31, 1998 and 1997 was \$22,850,000 and \$12,856,000, respectively.

Interest cost expensed and capitalized (in thousands) during the three years ended August 31, 1998, 1997 and 1996 was as follows:

<TABLE>  
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Interest expense	\$1,117	\$ 444	\$ 990
Interest capitalized	345	618	703
Total interest cost	\$1,462	\$1,062	\$1,693

</TABLE>

(6) Employee Benefit Plans

The Company has a profit sharing plan covering substantially all employees. The plan was established under Internal Revenue Code Section 401(k). Contributions made to the profit sharing plan were \$296,368, \$230,545 and \$223,152 for the years ended August 31, 1998, 1997 and 1996, respectively.

Certain officers and employees also have employment contracts for additional retirement benefits, the cost of which is accruable on a present value basis over the remaining term of the employment agreements. The lives of such officers and employees have been insured as a means of funding such additional benefits. The accrued pension liability for these additional retirement benefits at August 31, 1998 and 1997 was \$3,320 and \$3,133, respectively.

Additionally, the Company implemented a nonqualified defined benefit retirement plan covering the officers and other key management personnel of the Company. The plan is being funded by the purchase of insurance contracts. The accrued pension liability for the nonqualified defined benefit retirement plan at August 31, 1998 and 1997 was (\$14,950) and \$10,126, respectively.

Pension expenses for the additional retirement benefits were approximately \$345,000, \$217,000 and \$191,000 for the years ended August 31, 1998, 1997 and 1996, respectively.

(7) Income Taxes

The provision for income taxes (in thousands) for the years ended August 31, 1998, 1997 and 1996 is summarized as follows:

<TABLE>  
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Current:			
Federal income tax	\$3,012	\$5,919	\$1,974
State income tax	521	1,000	353
	3,533	6,919	2,327
Deferred:			
Federal income tax	611	(207)	48
State income tax	105	(35)	5

	716	(242)	53
	-----	-----	-----
Total provision for income taxes	\$4,249	\$6,677	\$2,380
	-----	-----	-----

</TABLE>

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 (in thousands) for the years ended August 31, 1998, 1997 and 1996:

<TABLE>  
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Expected income tax	\$3,748	\$6,069	\$2,319
Increase (decrease) resulting from:			
State income taxes, net of federal benefit	400	648	248
Nontaxable interest and dividends	(92)	(120)	(174)
Other reconciling items, net	193	80	(13)
	-----	-----	-----
Total provision for income taxes	\$4,249	\$6,677	\$2,380
	-----	-----	-----

</TABLE>

Some items of revenue and expense included in the statement of operations may not be currently taxable or deductible on the income tax returns. Therefore, income tax assets and liabilities are divided into a current portion, which is the amount attributable to the current year's tax return, and a deferred portion, which is the amount attributable to another year's tax return. The revenue and expense items not currently taxable or deductible are called temporary differences.

At August 31, 1998 the Company had an unused charitable contribution carryover totaling \$7,551,488. Management estimates that \$303,000 will be used to reduce taxable income over the next two years. As a result, the estimated unusable portion of the carryover has been set up as the valuation amount in the deferred tax asset schedule below. The contribution carryover expires in 2000.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in thousands):

<TABLE>  
<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Deferred Tax Assets:		
Contribution carryover	\$ (2,841)	\$ (3,103)
Less valuation allowance	2,727	2,727
	-----	-----
Net contribution carryover	(114)	(376)
Beef cattle inventory	-	(131)
Pension	(284)	(84)
Prepaid sales commissions	(604)	(489)
Other	(289)	(133)
	-----	-----

Total gross deferred tax assets	(1,291)	(1,213)
Deferred Tax Liabilities:		
Revenue recognized from citrus and sugarcane	1,174	432
Deferred revenues	-	3,011
Property and equipment (principally due to depreciation and soil and water deductions)	12,619	9,265
Mortgage notes receivable	29	348
Other	153	740
Unrealized gains on securities	64	-
Total gross deferred tax liabilities	14,039	13,796
Net deferred income tax liabilities	\$12,748	\$12,583

</TABLE>

The Company is currently under examination by the Internal Revenue Service for the years ended August 31, 1991, 1992, 1993, 1994, 1995 and 1996. When the examinations are resolved, any income taxes due will become currently payable. However, the majority of the proposed adjustments relate to, among other things, the Company's computation of the deferral of citrus revenue, timing of deductions for certain expenses, and the determination of the amounts of certain charitable contributions, all of which have been provided for in the Company's deferred tax liability account. The Company plans to continue to defend the positions taken in its amended tax returns. No adjustments have yet been proposed for the years ended August 31, 1995 and 1996.

(8) Related Party Transactions

Citrus

Citrus revenues of \$24,018,251, \$20,065,303 and \$20,386,090 were recognized for a portion of citrus crops sold under a marketing agreement with Ben Hill Griffin, Inc. (Griffin) for the years ended August 31, 1998, 1997 and 1996, respectively. Griffin and its subsidiaries is the owner of 49.71 percent of the Company's common stock. Accounts receivable, resulting from citrus sales, include amounts due from Griffin totaling \$8,332,514 and \$5,549,080 at August 31, 1998 and 1997, respectively. These amounts represent estimated revenues to be received periodically under pooling agreements as the sale of pooled products is completed.

Harvesting, marketing, and processing costs, related to the citrus sales noted above, totaled \$7,610,639, \$7,335,825, and \$6,099,481 for the years ended August 31, 1998, 1997 and 1996, respectively. In addition, Griffin provided the harvesting services for citrus sold to an unrelated processor. The aggregate cost of these services was \$758,370, \$779,715 and \$767,144 for the years ended August 31, 1998, 1997 and 1996, respectively. The accompanying consolidated balance sheets include accounts payable to Griffin for citrus production, harvesting and processing costs in the amount of \$423,321 and \$383,614 at August 31, 1998 and 1997, respectively.

Other Transactions

The Company purchased fertilizer and other miscellaneous supplies, services, and operating equipment from Griffin, on a competitive bid basis, for use in its cattle, sugarcane, sod and citrus operations. Such purchases totaled \$4,650,867, \$4,451,224 and \$5,535,086 during the years ended August 31, 1998, 1997 and 1996, respectively.

(9) Accounting pronouncements

For fiscal years beginning after December 31, 1997, the Financial Accounting Standards Board (FASB) has released two new standards which the Company will adopt in the fiscal year ending August 31, 1999.

Statement 130

Statement 130 requires that an enterprise compute and display comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is defined as the change in equity of a

business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes both net income and other comprehensive income which caused the equity change.

Items included in other comprehensive income shall be classified based on their nature. For example, it would include unrealized holding gains and losses relating to securities transactions, and changes in market values of futures contracts which qualifies as a hedge among other items. The total of other comprehensive income for a period will be transferred to an equity account and displayed as "accumulated other comprehensive income."

Statement 131

Statement 131 requires that public business enterprises report financial and descriptive information about its reportable operating segments, including the types of products and services from which each reportable segment derives its revenues, measurement of segment profit or loss and segment assets and the factors management used to identify the enterprise's reportable segments. Management believes that information disclosed in footnote 10 provides a substantial portion of the disclosures required by this statement.

(10) Business Segment Information

The Company is primarily engaged in agricultural operations, which are subject to risk, including market prices, weather conditions and environmental concerns. The Company is also engaged in retail land sales and, from time to time, sells real estate considered surplus to its operating needs. Information about the Company's operations (in thousands) for the years ended August 31, 1998, 1997 and 1996 is summarized as follows:

<TABLE>

<CAPTION>

	1998	1997	1996
<S>			
Revenues:	<C>	<C>	<C>
Agriculture:			
Citrus	\$ 26,622	\$ 22,287	\$ 22,966
Sugarcane	6,123	4,967	5,851
Ranch	6,882	4,876	3,796
Total agriculture	39,627	32,130	32,613
Real estate	1,327	11,753	551
General corporate	3,725	3,550	2,925
Consolidated total	\$ 44,679	\$ 47,433	\$ 36,089
Operating income (loss):			
Agriculture:			
Citrus	\$ 8,677	\$ 4,850	\$ 7,584
Sugarcane	1,608	831	1,704
Ranch	615	765	(1,633)
Total agriculture	10,900	6,446	7,655
Real estate	875	11,271	56
General corporate	3,725	3,550	2,925
Total operating income	15,500	21,267	10,636
Interest expense	(1,116)	(444)	(990)
General corporate expenses	(3,359)	(2,973)	(2,826)
Income before income taxes	\$ 11,025	\$ 17,850	\$ 6,820

<CAPTION>

	1998	1997	1996
<S>			
Capital expenditures:	<C>	<C>	<C>
Agriculture:			
Citrus	\$ 1,071	\$ 1,829	\$ 2,734
Sugarcane	8,846	1,890	967
Ranch	1,864	1,159	2,786
Sod	7	39	54
Farm lands	177	340	365
Heavy equipment	177	91	89
Total agriculture	12,142	5,348	6,995
General corporate	45	404	147
Consolidated total	\$ 12,187	\$ 5,752	\$ 7,142





Basic earnings								
per share	\$ .13	\$ .06	\$ .21	\$ 1.17	\$ .27	\$ .28	\$ .35	\$ .08

The weighted average number of shares outstanding totaled 7,027,827 shares during each of the periods presented above.

</TABLE>

Item 9. Disagreements on Accounting and Financial Disclosure.

There were no disagreements on accounting and financial disclosures.

### PART III

Item 10. Directors and Executive Officers of the Registrant.

For information with respect to the executive officers of the registrant, see "Executive Officers of the Registrant" at the end of Part I of this report.

The information called for regarding directors is incorporated by reference to Proxy Statement dated November 9, 1998.

Item 11. Executive Compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Item 13. Certain Relationships and Related Transactions.

Information called for by Items 11, 12 and 13 is incorporated by reference to Proxy Statement dated November 9, 1998.

### PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a)1. Financial Statements:

Included in Part II, Item 8 of this Report

Report of Independent Certified Public Accountants

Consolidated Balance Sheets - August 31, 1998 and 1997

Consolidated Statements of Operations - For the Years Ended August 31, 1998, 1997 and 1996

Consolidated Statements of Stockholders' Equity - For the Years Ended August 31, 1998, 1997 and 1996

Consolidated Statements of Cash Flows - For the Years Ended August 31, 1998, 1997 and 1996

(a)2. Financial Statement Schedules:

Selected Quarterly Financial Data - For the Years Ended August 31, 1998 and 1997 - Included in Part II, Item 8

Schedule I - Marketable Securities and Other Investments - For Year Ended August 31, 1998

Schedule V - Property, Plant and Equipment - For the Years Ended August 31, 1998, 1997 and 1996

Schedule VI - Reserves for Depreciation, Depletion and Amortization of Property, Plant and Equipment - For the Years Ended August 31, 1998, 1997 and 1996

Schedule IX - Supplementary Income Statement Information - For the Years Ended August 31, 1998, 1997 and 1996

All other schedules not listed above are not submitted because they are not

applicable or not required or because the required information is included in the financial statements or notes thereto.

(a)3. Exhibits:

                      
(3) Articles of Incorporation: \*

Schedule I - Restated Certificate of Incorporation,  
Dated February 17, 1972  
Schedule II - Certificate of Amendment to Certificate  
of Incorporation, Dated January 14, 1974  
Schedule III - Amendment to Articles of Incorporation,  
Dated January 14, 1987  
Schedule IV - Amendment to Articles of Incorporation,  
Dated December 27, 1988  
Schedule V - By-Laws of Alico, Inc.,  
Amended to September 13, 1994

- (4) Instruments Defining the Rights of Security Holders,  
Including Indentures - Not Applicable
- (9) Voting Trust Agreement - Not Applicable
- (10) Material Contracts - Citrus Processing and Marketing  
Agreement with Ben Hill Griffin, Inc., dated November 2,  
1983, a Continuing Contract. \*
- (11) Statement - Computation of Per Share Earnings
- (12) Statement - Computation of Ratios
- (18) Change in Accounting Principal - Not Applicable
- (19) Annual Report to Security Holders - By Reference
- (21) Subsidiaries of the Registrant - Not Applicable
- (22) Published Report Regarding Matters Submitted to Vote of  
Security Holders - Not Applicable

(23) Consents of Experts and Counsel - Not Applicable

(24) Power of Attorney - Not Applicable

(28) Information From Reports Furnished to State Insurance  
Regulatory Authorities - Not Applicable

(99) Additional Exhibits - None

(b)3. Reports on Form 8-K:

                      
Form 8-K dated December 2, 1997 regarding re-election of  
Directors and election of Officers.

\* Material has been filed with Securities and Exchange Commission  
and NASDAQ and may be obtained upon request.



Land	\$14,368,962	\$8,562,616	\$ 92,516	\$28,586*	\$ 22,867,648
Roads	953,181	4,645			957,826
Agricultural Land Preparation	9,906				9,906
Forest Improvements	100,026				100,026
Pasture Improvements	2,956,773	31,696			2,988,469
Buildings	2,973,486	122,727	102,213		2,994,000
Feeding and Watering Facilities for Cattle Herd	34,167		3,850		30,317
Water Control Facilities	5,337				5,337
Fences	292,197	32,631	26,817		298,011
Cattle Pens	134,955				134,955
Citrus Groves, Including Irrigation Systems	38,422,614	800,602	199,257		39,023,959
Equipment	7,280,577	531,520	523,843		7,288,254
Breeding Herd	12,126,689	1,653,306	1,191,571		12,588,424
Sugarcane-Land Prep- aration, Etc.	15,277,301	888,486	342,937		15,822,850
Sod Land-Prep- aration, Etc.	180,938	3,978			184,916
Farm Land Prep- aration	1,592,330	177,523			1,769,853
	<u>\$96,709,439</u>	<u>\$12,809,730</u>	<u>\$2,483,004</u>	<u>\$28,586</u>	<u>\$107,064,751</u>

\* Reclassification from other assets.

</TABLE>

<TABLE>  
<CAPTION>

ALICO, INC.

SCHEDULE V

PROPERTY, PLANT AND EQUIPMENT

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Description	Balance Beginning of Period	Additions at Cost	Retire- ments or Sales	Other Changes Debit and/or Credit- Describe	Balance at Close of Period
For Year Ended August 31, 1997					
<C>	<C>	<C>	<C>	<C>	<C>
Land	\$14,504,916	\$ 334,165	\$ 470,119	\$	\$14,368,962
Roads	745,525	207,656			953,181
Agricultural Land Preparation	9,906				9,906
Forest Improvements	100,026				100,026
Pasture Improvements	2,801,321	155,453			2,956,774
Buildings	3,037,575	6,007	70,096		2,973,486
Feeding and Watering Facilities for Cattle Herd	36,067		1,900		34,167
Water Control Facilities	871,337		866,000		5,337
Fences	270,133	34,484	12,420		292,197
Cattle Pens	134,955				134,955
Citrus Groves, Including Irrigation Systems	38,634,654	1,532,126	1,744,166		38,422,614
Equipment	6,999,963	563,979	283,365		7,280,577
Breeding Herd	13,184,291	935,625	1,993,227		12,126,689
Sugarcane-Land Prep- aration, Etc.	14,304,486	1,603,607	630,792		15,277,301
Sod-Land Prep- aration, Etc.	141,922	39,016			180,938
Farm Land Prep- aration	1,252,376	339,954			1,592,330
	<u>\$97,029,453</u>	<u>\$5,752,072</u>	<u>\$6,072,085</u>	<u>\$ 0</u>	<u>\$96,709,440</u>

</TABLE>

<TABLE>

<CAPTION>

ALICO, INC.

SCHEDULE V

PROPERTY, PLANT AND EQUIPMENT

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Description	Balance Beginning of Period	Additions at Cost	Retire-ments or Sales	Other Changes Debit and/or Credit- Describe	Balance at Close of Period
For the Year Ended August 31, 1996					
<C>	<C>	<C>	<C>	<C>	<C>
Land	\$14,409,797	\$ 133,396	\$ 38,277	\$	\$14,504,916
Roads	489,213	256,312			745,525
Agricultural Land Preparation	9,906				9,906
Forest Improvements	100,026				100,026
Pasture Improve-ments	2,363,419	434,194		3,708*	2,801,321
Buildings	3,034,835	82,938	80,198		3,037,575
Feeding and Watering Facilities for Cattle Herd	36,486		419		36,067
Water Control Facilities	871,337				871,337
Fences	228,811	47,066	5,744		270,133
Cattle Pens	155,219		20,264		134,955
Citrus Groves, Including Irri-gation Systems	36,176,961	2,573,697	116,004		38,634,654
Equipment	6,815,062	328,372	143,471		6,999,963
Breeding Herd	12,094,179	2,165,878	1,075,766		13,184,291
Sugarcane-Land Prep., Etc.	12,907,640	715,188		681,658*	14,304,486
Sod-Land Prep-eration, Etc.	1,118,258	44,615	335,585	(685,366)*	141,922
Farm Land Prep-eration	892,218	360,158			1,252,376
	\$91,703,367	\$7,141,814	\$1,815,728	\$ 0	\$97,029,453

\* Reclassification

(/TABLE>

</TABLE>

<TABLE>

<CAPTION>

ALICO, INC.

SCHEDULE VI

Reserves for Depreciation, Depletion and Amortization of Property, Plant and Equipment

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
	Balance Beginning	Additions Charged To Profit & Loss	Retire-	Other Changes Add(Deduct)	Balance at

Description	of Period	of Income	ments	Describe	Close Of
For Year Ended August 31, 1998					
<S>	<C>	<C>	<C>	<C>	<C>
Buildings	\$ 1,221,902	\$ 135,690	\$ 88,948	\$	\$ 1,268,644
Feeding and Watering Facilities for Cattle Herd	24,059	797	3,850		21,006
Water Control Facilities	0	0	0		0
Fences	124,017	25,650	26,817		122,850
Cattle Pens	57,313	13,951			71,264
Citrus Groves, Including Irriga- tion Systems	9,894,285	1,604,182	199,256		11,299,211
Equipment	4,646,481	747,006	511,742		4,881,745
Breeding Herd	6,861,549	1,202,626	1,125,043		6,939,132
Roads	32,097	39,803			71,900
Sugarcane Lane Prep- aration, Etc.	3,860,569	907,431	342,937		4,425,063
Sod Land Prepara- tion, Etc.	3,957	3,542			7,499
Farm Land Preparation	37,561	36,541			74,102
	\$26,763,790	\$4,717,219	\$2,298,593	\$ 0	\$29,182,416

</TABLE>

<TABLE>  
<CAPTION>

ALICO, INC.

SCHEDULE VI

Reserves for Depreciation, Depletion and Amortization  
Property, Plant and Equipment

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Description	Balance Beginning of Period	Additions Charged To Profit & Loss of Income	Retire- ments	Other Changes Add (Deduct) Describe	Balance at Close Of
For Year Ended August 31, 1997					
<S>	<C>	<C>	<C>	<C>	<C>
Buildings	\$ 1,152,448	\$ 139,550	\$ 70,096	\$	\$ 1,221,902
Feeding and Watering Facilities for Cattle Herd	24,044	1,915	1,900		24,059
Water Control Facilities	866,000		866,000		0
Fences	112,016	24,421	12,420		124,017
Cattle Pens	43,362	13,951			57,313
Citrus Groves, Including Irriga- tion Systems	10,189,551	1,448,900	1,744,166		9,894,285
Equipment	4,106,878	822,968	283,365		4,646,481
Breeding Herd	7,518,756	939,309	1,596,516		6,861,549
Roads	10,731	21,366			32,097
Sugarcane-Land Prep- aration, Etc.	3,683,734	807,626	630,791		3,860,569
Sod-Land Prepara- tion, Etc.	2,054	1,903			3,957
Farm Land Preparation	19,353	18,208			37,561
	\$27,728,927	\$4,240,117	\$5,205,254	\$ 0	\$26,763,790

</TABLE>

<TABLE>  
<CAPTION>

ALICO, INC.  
SCHEDULE VI  
Reserves for Depreciation, Depletion and Amortization  
Property, Plant and Equipment

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
Description	Balance Beginning of Period	Additions Charged To Profit & Loss of Income	Retire- ments	Other Changes Add(Deduct) Describe	Balance at Close Of
For the Year Ended August 31, 1996					
<C>	<C>	<C>	<C>	<C>	<C>
Buildings	\$ 1,092,981	\$ 139,665	\$ 80,198	\$	\$ 1,152,448
Feeding and Watering Facilities for Cattle Herd	21,741	2,722	419		24,044
Water Control Facilities	866,000				866,000
Fences	96,330	21,430	5,744		112,016
Cattle Pens	49,676	13,951	20,265		43,362
Citrus Groves, Including Irrigation Systems	9,002,178	1,303,376	116,003		10,189,551
Equipment	3,329,601	904,448	127,171		4,106,878
Breeding Herd	7,559,946	867,887	909,077		7,518,756
Roads	0	10,731			10,731
Sugarcane-Land Prep., Etc.	2,752,281	827,397		104,056*	3,683,734
Sod-Land Prep- aration, Etc.	174,201	33,524	101,615	(104,056)*	2,054
Farm Land Preparation	8,151	11,202			19,353
	\$24,953,086	\$4,136,333	\$1,360,492	\$ 0	\$27,728,927

\* Reclassification

</TABLE>

<TABLE>  
<CAPTION>

ALICO, INC.  
SCHEDULE IX  
SUPPLEMENTARY INCOME STATEMENT INFORMATION

COLUMN A

COLUMN B

Charged to Costs and Expenses

Years Ended August 31,

Item	1998	1997	1996
<S>	<C>	<C>	<C>
1. Maintenance and repairs	\$1,025,739	\$ 990,184	\$ 858,253
2. Taxes, other than payroll and income taxes	1,805,322	1,755,168	1,476,159

</TABLE>

EXHIBIT 11

ALICO, INC.

Computation of Weighted Average Shares Outstanding as of August 31, 1998:

Number of shares outstanding at August 31, 1997	7,027,827
	=====
Number of shares outstanding at August 31, 1998	7,027,827
	=====
Weighted Average 9/1/97 - 8/31/98	7,027,827
	=====



EXHIBIT 12

ALICO, INC.

Computation of Ratios:

1997	Current Assets	\$37,887,320	
	Current Liabilities	4,988,115	
	37,887,320 divided by 4,988,115 = 7.59:1		
1998	Current Assets	\$42,354,043	
	Current Liabilities	5,649,482	
	42,354,043 divided by 5,649,482 = 7.50:1		

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALICO, INC.  
(Registrant)

November 17, 1998  
Date

Ben Hill Griffin, III  
Chairman, Chief Executive  
Officer and Director  
(Signature)

November 17, 1998  
Date

W. Bernard Lester  
President, Chief Operating  
Officer and Director  
(Signature)

November 17, 1998  
Date

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Richard C. Ackert  
Director  
(Signature)

Ben Hill Griffin, IV  
Director  
(Signature)

J. C. Barrow, Jr.  
Director  
(Signature)

K. E. Hartsaw  
Director  
(Signature)

William L. Barton  
Director  
(Signature)

Thomas E. Oakley  
Director  
(Signature)

Walker E. Blount, Jr.  
Director  
(Signature)

November 17, 1998  
Date

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND STATEMENT OF STOCKHOLDERS' EQUITY OF ALICO, INC. AND SUBSIDIARY AS OF AUGUST 31, 1998 AND THE RELATED STATEMENTS OF OPERATIONS AND CASH FLOWS FOR THE YEAR THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<S>	<C>	<C>	<C>
<PERIOD-TYPE>	YEAR	YEAR	YEAR
<FISCAL-YEAR-END>	AUG-31-1998	AUG-31-1997	AUG-31-1996
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