Limoneira CO
Form 10-K
January 14, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended October 31, 2012

OR

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

Commission file number: 001-34755

Limoneira Company

(Exact name of registrant as specified in its charter)

Delaware	**77-0260692**
(State of incorporation)	(I.R.S. Employer Identification No.)

1141 Cummings Road, Santa Paula, CA	93060
(Address of principal executive offices)	(Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name Of Each Exchange On Which Registered
Common Stock, $0.01 par value	**The NASDAQ Stock Market, LLC**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark if whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Based on the closing price as reported on the NASDAQ Global Market, the aggregate market value of the Registrant's Common Stock held by non-affiliates on April 30, 2012 (the last business day of the Registrant's most recently completed second fiscal quarter) was approximately $162.3 million. Shares of Common Stock held by each executive officer and director and by each stockholder affiliated with a director or an executive officer have been excluded from this calculation because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of outstanding shares of the Registrant's Common Stock as of December 31, 2012 was 11,237,901.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement for the 2013 Annual Meeting of Stockholders, which we intend to hold on March 26, 2013, are incorporated by reference into Part III of this Form 10-K. The definitive Proxy Statement will be filed within 120 days after October 31, 2012.

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CAUTIONARY STATEMENT

This annual report on Form 10-K (this “Annual Report”) contains statements which, to the extent that they do not recite historical fact, constitute forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts and may include the words "may," "will," “could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or other words or expressions of similar meaning. We have based these forward-looking statements on our current expectations about future events. The forward-looking statements include statements that reflect management’s beliefs, plans, objectives, goals, expectations, anticipations and intentions with respect to our financial condition, results of operations, future performance and business, including statements relating to our business strategy and our current and future development plans.

The potential risks and uncertainties that could cause our actual financial condition, results of operations and future performance to differ materially from those expressed or implied in this Annual Report include:

- changes in laws, regulations, rules, quotas, tariffs and import laws;
- weather conditions, including freezes and rains, that affect the production, transportation, storage, import and export of fresh produce;
- market responses to industry volume pressures;
- increased pressure from disease, insects and other pests;
- disruption of water supplies or changes in water allocations;
- product and raw materials supplies and pricing;
- energy supply and pricing;
- changes in interest and currency exchange rates;
- availability of financing for agriculture property acquisitions and land development activities;

- political changes and economic crises;
- international conflict;
- acts of terrorism;
- labor disruptions, strikes or work stoppages;
- loss of important intellectual property rights; and
- other factors disclosed in this Annual Report.

In addition, this Annual Report contains industry data related to our business and the markets in which we operate. This data includes projections that are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results could differ from the projections. We urge you to carefully review this Annual Report, particularly the section “Risk Factors,” for a complete discussion of the risks of an investment in our common stock.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Many factors discussed in this Annual Report, some of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Annual Report as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

All references to “we,” “us,” “our,” “our Company,” “the Company,” or “Limoneira” in this Annual Report mean Limoneira Company, a Delaware corporation, and its wholly-owned subsidiaries.

PART I

Item 1. Business

Limoneira Company was incorporated in Delaware in 1990 as the successor to several businesses with operations in California since 1893. Our business and operations are described below. For detailed financial information with respect to our business and our operations, see our consolidated financial statements and the related notes to consolidated financial statements, which are included in this Annual Report beginning on page 57. In addition, general information concerning our Company can be found on our website, the internet address of which is www.limoneira.com. All of our filings with the Securities and Exchange Commission (the "SEC"), including but not limited to, the annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments thereto, are available free of charge on our website as soon as reasonably practicable after such material is electronically filed or furnished to the SEC.

Overview

We are an agribusiness and real estate development company founded and based in Santa Paula, California, committed to responsibly using and managing our approximately 8,246 acres of land, water resources and other assets to maximize long-term stockholder value. Our current operations consist of fruit production sales and marketing, real estate development and capital investment activities.

We are one of California's oldest citrus growers. According to Sunkist Growers, Inc. ("Sunkist"), we are one of the largest growers of lemons in the United States and, according to the California Avocado Commission, one of the largest growers of avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of other specialty citrus and other crops. We have agricultural plantings throughout Ventura and Tulare Counties in California, which plantings consist of approximately 2,060 acres of lemons, 1,169 acres of avocados, 1,654 acres of oranges and 773 acres of specialty citrus and other crops. We also operate our own packinghouse in Santa Paula, California, where we process and pack lemons that we grow as well as lemons grown by others.

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

For more than 100 years, we have been making strategic investments in California agricultural and development real estate. As of the date of this Annual Report, we have five active real estate development projects in California. These projects include multi-family housing and single-family homes comprising approximately 200 completed units and another approximately 2,000 units in various stages of planning and entitlement.

Fiscal Year 2012 Highlights

In January 2012, we entered into six operating leases for approximately 1,000 acres of lemon, orange, specialty citrus and other crop orchards in Lindsay, California (collectively, the "Sheldon Ranch"). Each of the leases is for a ten-year term and provides for four five-year renewal options with an aggregate base rent of approximately $500,000 per year. Each of the leases also contains profit share arrangements with the lessors as additional rent on each of the properties and a provision for the potential purchase of the properties by us in the future.

In April 2012, we purchased land for use as a citrus orchard for a purchase price of $433,000 cash. The acquisition was for approximately 60 acres of agricultural property located in close proximity to our existing orchards in Porterville, California. This acquisition was accounted for as an asset purchase with substantially the entire purchase price allocated to land.

In July 2012, we purchased land for use as a citrus orchard for a purchase price of $803,000 cash. The acquisition was for approximately 65 acres of agricultural property located in close proximity to our existing orchards in Porterville, California. This acquisition was accounted for as a business combination and we obtained a third-party valuation for the land, land improvements, equipment and orchards acquired.

In August 2012, we purchased land for use as a citrus orchard for a purchase price of $1,363,000 cash. The acquisition was for approximately 230 acres of agricultural property adjacent to the Sheldon Ranch. This acquisition was accounted for as an asset purchase with substantially the entire purchase price allocated to land.

In August 2012, we entered into an agreement with Associated Citrus Packers of Yuma, Arizona to pack and market lemons. Associated Citrus Packers has historically packed approximately 850,000 cartons of lemons grown on nearly 2,000 acres. The commercial citrus harvesting and packing season in Southwestern Arizona typically begins in late August and is completed during the spring of the following year. We packed and sold 157,000 cartons of lemons under this agreement in fiscal year 2012.

In September 2012, we increased our dividend rate by 20% from $0.03125 to $0.03750 per common share. For the year ended October 31, 2012, we declared dividends to our common shareholders totaling $0.13125 per share in the aggregate amount of $1,470,000. On November 27, 2012, we declared a $0.0375 per share dividend which was paid on December 17, 2012 in the aggregate amount of $420,000 to common shareholders of record on December 10, 2012.

Business Segments

We have three business segments: agribusiness, rental operations, and real estate development. The agribusiness segment includes our farming and lemon packing and sales operations. The rental operations segment includes our residential and commercial rentals, leased land operations and organic recycling. The real estate development segment includes our real estate projects and development. Financial information and further discussion of these segments are contained in Note 23 to the accompanying consolidated financial statements of this Annual Report.

Agribusiness

Our agribusiness segment includes our farming and lemon packing and sales operations. The agribusiness segment represented approximately 93%, 88% and 87% of our fiscal year 2012, 2011 and 2010 consolidated revenues, respectively.

Farming

We are one of California's oldest citrus growers and one of the largest growers of lemons and avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of specialty citrus and other crops. We have agricultural plantings throughout Ventura and Tulare Counties in California, which consist of approximately 2,060 acres of lemons, 1,169 acres of avocados, 1,654 acres of oranges and 773 acres of specialty citrus and other crops. We also operate our own packinghouse in Santa Paula, California, where we process, pack and sell lemons we grow as well as lemons grown by others.

Lemons. We are one of the largest lemon growers in the United States with approximately 2,060 acres of lemons planted throughout Ventura County, California and Tulare County in the San Joaquin Valley in Central California. In California, the lemon growing area stretches from the Coachella Valley to Fresno and Monterey Counties, with the majority of the growing areas being located in the coastal areas from Ventura County to Monterey County. Ventura County is California's top lemon producing county. Approximately 80% of our lemons are grown in Ventura County and approximately 20% are grown in Tulare County in Central California's San Joaquin Valley.

There are over fifty varieties of lemons, with the Lisbon, Eureka and Genoa being the predominant varieties marketed on a worldwide basis. California grown lemons are available 12 months of the year, with peak production periods occurring from January through August. Approximately 90% of our lemon plantings are of the Lisbon and Eureka varieties and approximately 10% are of other varieties such as sweet Meyer lemons, proprietary seedless lemons and pink variegated lemons. The storage life of fresh lemons is limited and generally ranges from one to 18 weeks, depending upon the maturity of the fruit, the growing methods used and the handling conditions in the distribution chain.

With an average annual production of approximately 750,000 tons of lemons, California accounts for approximately 87% of the United States lemon crop, with Arizona producing a vast majority of the rest. Between 50% and 70% percent of the United States lemon crop is utilized in the fresh market, with the remainder going to the processed market for products such as juice, oils and essences. Most lemons are consumed as either a cooking ingredient, a garnish, or as juice in lemonade or other carbonated beverages or drinks. Demand for lemons is typically highest in the summer, although California producers through various geographical zones are typically able to harvest lemons year round.

Prior to November 1, 2010, most of our lemons, including our packinghouse branded lemons, such as Santa® and Paula®, were marketed and sold under the Sunkist brand primarily through Sunkist, an agricultural marketing cooperative. Effective November 1, 2010, we terminated a license agreement with Sunkist (the "Sunkist License Agreement"), Which provided for the marketing and sale of our lemons by Sunkist, and began to market and sell our lemons directly to our food service, wholesale and retail customers throughout the United States, Canada, Asia, Australia and certain other international markets.

Avocados. We are one of the largest avocado growers in the United States with approximately 1,169 acres of avocados planted throughout Ventura County. In California, the growing area stretches from San Diego County to Monterey County, with the majority of the growing areas located approximately 100 miles north and south of Los Angeles County.

Over the last 70 years, the avocado has transitioned from a single specialty fruit to an array of 10 varieties ranging from the green-skinned Zutanos to the black-skinned Hass, which is the predominant avocado variety marketed on a worldwide basis. California grown avocados are available year round, with peak production periods occurring between February and September. Other avocado varieties have a more limited picking season and typically command a lower price. Because of superior eating quality, the Hass avocado has contributed greatly to the avocado's growing popularity through its retail, restaurant and other food service uses. Approximately 98% of our avocado plantings are of the Hass variety. The storage life of fresh avocados is limited and generally ranges from one to four weeks, depending upon the maturity of the fruit, the growing methods used and the handling conditions in the distribution chain.

We currently provide all of our avocado production to Calavo Growers, Inc. ("Calavo"), a packing and marketing company listed on the NASDAQ Global Select Market under the symbol CVGW. Calavo's customers include many of the largest retail and food service companies in the United States and Canada. Our marketing relationship with Calavo dates back to 2003. Calavo receives fruit from our orchards at its packinghouse located in Santa Paula, California. Calavo's proximity to our agricultural operations enables us to keep transportation and handling costs to a minimum. Our avocados are packed by Calavo and sold and distributed under its own brands to its customers primarily in the United States and Canada.

Primarily due to differing soil conditions, the care of avocado trees is intensive and during our 70-year history of growing avocados, growing techniques have changed dramatically. The need for more production per acre to compete with foreign sources of supply has required us to take an important lead in the practice of dense planting (typically four times the number of avocado trees per acre versus traditional avocado plantings) and mulching composition to help trees acclimate under conditions that more closely resemble those found in the tropics, a better climate for avocado growth.

Oranges. While we are primarily known for our high quality lemons, we also grow oranges. We have approximately 1,654 acres of oranges planted throughout Tulare County in the San Joaquin Valley in Central California. In California, the growing area for oranges stretches from Imperial County to Yolo County.

For many decades, the Valencia variety of oranges was grown in Ventura County primarily for export to the Pacific Rim. Throughout the late 20th century, developing countries began producing the larger, seedless Navel variety of oranges that successfully competed against the smaller Valencia variety. California grown Valencia oranges are available from March to October, with peak production periods occurring between June and September. California grown Navel oranges are available from October to June, with peak production periods occurring between January and April. Approximately 17% of our orange plantings are of the Valencia variety and approximately 83% are of the Navel variety.

Navel oranges comprise most of California’s orange crop, accounting for approximately 75% over the past three growing seasons. Valencia oranges account for a vast majority of the remainder of California’s orange crop. While California produces approximately 25% of the nation’s oranges, its crop accounts for approximately 80% of those going to the fresh market. The share of California’s crop going to fresh market, as opposed to the processed market (i.e. juices, oils and essences) varies by season, depending on the quality of the crop.

While Sunkist no longer markets and sells our lemons, it continues to market and sell a portion of our oranges under the Sunkist brand to food service wholesale and retail customers. As an agricultural cooperative, Sunkist coordinates the sales and marketing of our oranges and orders are processed by third-party packinghouses for direct shipment to customers. We typically partner with third-party packinghouses to process and ship our oranges. We estimate approximately 70% of our oranges are sold to retail customers and approximately 30% are sold to wholesale customers.

Specialty Citrus and Other Crops. A few decades ago we began growing specialty citrus varieties and other crops that we believed would appeal to changing North American and worldwide demand. As a result, we currently have approximately 773 acres of specialty citrus and other crops planted such as Satsuma mandarin oranges, Moro blood oranges, Cara Cara oranges, Minneola tangelos, Star Ruby grapefruit, pummelos, pistachios, cherries, peaches, plums and olives.

Acreage devoted to specialty citrus and other crops in California has been growing significantly over the past few decades, especially with the popularity of the Clementine, a type of mandarin orange. We grow Satsumas, a type of mandarin orange similar to Clementine mandarin oranges. A portion of our specialty citrus is marketed and sold under the Sunkist brand by Sunkist and packed and shipped to major retail operations in the United States through arrangements with other packinghouses similar to our oranges.

We market our other specialty crops, such as pistachios, cherries, peaches, plums and olives independently. All of our pistachios are harvested and sold to an independent roaster, packager and marketer of nuts. Our cherries, peaches, plums and olives are harvested and sold to third-party packers and shippers.

We have agricultural plantings on 15 properties located throughout Ventura and Tulare Counties in California. The following is a description of each such property.

Limoneira/Olivelands Ranch. The Limoneira/Olivelands Ranch is the original site of our Company and consists of approximately 1,744 contiguous acres located just west of Santa Paula, California. Our headquarters, lemon packing operations and storage facilities are located on this property. There are approximately 1,430 acres of agricultural plantings on this property, which consist of approximately 634 acres of lemons, 558 acres of avocados and approximately 238 acres leased to third-party agricultural tenants who grow a variety of row crops. We also lease to Calavo office space located on this property.

Orchard Farm Ranch. The Orchard Farm Ranch consists of approximately 1,119 acres located just west of Santa Paula, California. There are approximately 814 acres of agricultural plantings on this property, which consist of approximately 433 acres of lemons, 29 acres of avocados and approximately 352 acres leased to third party agricultural tenants who grow a variety of row crops. The Orchard Farm Ranch is directly adjacent to the Limoneira/Olivelands Ranch, which together comprise 2,863 contiguous acres approximately eight miles from the Pacific Ocean.

Teague McKevett Ranch. The Teague McKevett Ranch consists of approximately 523 acres located just east of Santa Paula, California. There are approximately 415 acres of agricultural plantings on this property, which consist of approximately 213 acres of lemons, 182 acres of avocados and approximately 20 acres leased to third-party agricultural tenants who grow a variety of row crops. As described below under the heading “Real Estate Development”, the Teague McKevett Ranch comprises all of East Area I.

La Cuesta Ranch. The La Cuesta Ranch consists of approximately 222 acres located between Santa Paula, California and Ojai, California. We have approximately 126 acres of agricultural plantings on this property, which consist of approximately 100 acres of lemons and 26 acres of avocados.

San Cayetano Ranch. The San Cayetano Ranch consists of approximately 86 acres located between Santa Paula, California and Fillmore, California. We have approximately 74 acres of agricultural plantings on this property, which consist of approximately 6 acres of lemons and 68 acres of avocados.

Sawyer Ranch. The Sawyer Ranch consists of approximately 30 acres located between Santa Paula, California and Fillmore, California. We lease this property and have approximately 30 acres of agricultural plantings consisting of approximately 12 acres of lemons and 18 acres of avocados.

La Campana Ranch. The La Campana Ranch consists of approximately 324 acres located between Santa Paula, California and Fillmore, California. We have approximately 289 acres of agricultural plantings on this property, which consists of approximately 107 acres of lemons and 182 acres of avocados.

Wilson Ranch. The Wilson Ranch consists of approximately 52 acres located between Santa Paula, California and Fillmore, California. We have approximately 33 acres of avocado plantings on this property.

Limco Del Mar Ranch. The Limco Del Mar Ranch consists of approximately 220 acres located on the east end of Ventura, California. As described in "Real Estate Development" below, this property is owned by a limited partnership of which we are the general partner and own an interest of 23.4%, which is comprised of a 1.3% general partner interest and a 22.1% limited partner interest. This property has approximately 211 acres of agricultural plantings consisting of 138 acres of lemons and 73 acres of avocados. We manage the agricultural operations on this property.

Porterville Ranch. The Porterville Ranch consists of approximately 669 acres located about 50 miles north of Bakersfield, California. We have approximately 650 acres of agricultural plantings on this property, which consist of approximately 145 acres of lemons, 376 acres of Navel oranges, 27 acres of Valencia oranges, and 102 acres of specialty citrus and other crops. Our agriculture property acquisition of approximately 60 acres in April 2012 is in close proximity to Porterville Ranch and we plan to develop approximately 45 acres of lemons on this property.

Jencks Ranch. The Jencks Ranch consists of approximately 101 acres located about 50 miles north of Bakersfield, California. This property is adjacent to our Porterville Ranch. We have approximately 60 acres of agricultural plantings on this property, which consist of approximately 53 acres of Navel oranges and 7 acres of Valencia oranges.

Ducor Ranch. The Ducor Ranch consists of approximately 1,027 acres located about 50 miles north of Bakersfield, California. We have approximately 974 acres of agricultural plantings on this property, which consist of approximately 97 acres of lemons, 431 acres of Navel oranges, 168 acres of Valencia oranges and 278 acres of specialty citrus and other crops.

Sheldon Ranch. The Sheldon Ranch consists of approximately 1,000 acres located in Lindsay, California. We lease this property and have approximately 1,000 acres of agricultural plantings consisting of approximately 115 acres of lemons, 560 acres of Navel oranges, 75 acres of Valencia oranges and 250 acres of specialty citrus and other crops.

Stage Coach Ranch. The Stage Coach Ranch was acquired in July 2012 and consists of approximately 65 acres of agricultural property located in close proximity to Porterville Ranch. We have approximately 59 acres of Navel orange plantings on this property.

Martinez Ranch. The Martinez Ranch was acquired in August 2012 and consists of approximately 230 acres of agricultural property located in close proximity to the Sheldon Ranch. We plan to develop approximately 135 acres of lemons on this ranch.

Lemon Packing and Sales

We are the oldest continuous lemon packing operation in North America. We pack and sell lemons grown by us as well as lemons grown by others. Lemons delivered to our packinghouse in Santa Paula are graded, sized, packed, and cooled and ripened for delivery to customers. Our ability to accurately estimate the size, grade and timing of the delivery of the annual lemon crop has a substantial impact on both our costs and the sales price we receive for the fruit.

A significant portion of the costs related to our lemon packing operation are fixed. Our strategy for growing the profitability of our lemon packing operations calls for optimizing the percentage of a crop that goes to the fresh market, or fresh utilization, and procuring a larger percentage of the California lemon crop.

We invest considerable time and research into refining and improving our lemon operations through innovation and are continuously in search of new techniques to refine how premium lemons are delivered to our consumers.

Rental Operations

Our rental operations segment includes our residential and commercial rentals, leased land operations and organic recycling. The rental operations segment represented approximately 6%, 7% and 7% of our fiscal year 2012, 2011 and 2010 consolidated revenues, respectively.

Residential

We own and maintain approximately 200 residential housing units located in Ventura and Tulare Counties that we lease to employees, former employees and non-employees. We expect to add approximately 70 new units in Santa Paula, California as a result of recently receiving approval from the Ventura County Planning Commission to build new residential housing units. These properties generate reliable cash flows which we use to partially fund the operating costs of our business and provide affordable housing for many of our employees and the community.

Commercial

We own several commercial office buildings and a multi-use facility consisting of a retail convenience store, gas station, car wash, and quick-serve restaurant. As with our residential housing units, these properties generate reliable cash flows which we use to partially fund the operating costs of our business.

Leased Land

As of October 31, 2012, we lease approximately 610 acres of our land to third party agricultural tenants who grow a variety of row crops such as strawberries, raspberries, celery and cabbage. Our leased land business provides us with a profitable method to diversify the use of our land.

Organic Recycling

With the help of our tenant Agromin, a manufacturer of premium soil products and a green waste recycler located in Oxnard, California, we have created and implemented an organic recycling program. Agromin provides green waste recycling for cities in Santa Barbara, Los Angeles and Ventura Counties. We worked with Agromin to develop an organic recycling facility on our land in Ventura County, to receive green materials (lawn clipping, leaves, bark, plant materials) and convert such material into mulch that we spread throughout our agricultural properties to help curb erosion, improve water efficiency, reduce weeds and moderate soil temperatures. We receive a percentage of the gate fees Agromin collects from regional waste haulers and enjoy the benefits of the organic material.

Real Estate Development

Our real estate development segment includes our real estate development operations. The real estate development segment represented approximately 1%, 5% and 6% of our consolidated revenues in fiscal years 2012, 2011 and 2010, respectively.

For more than 100 years, we have been making strategic real estate investments in California agricultural and developable real estate. Our current real estate developments include developable land parcels, multi-family housing and single-family homes with approximately 2,000 units in various stages of planning and development. The following is a summary of each of the strategic agricultural and development real estate investment properties in which we own an interest-

East Area I - Santa Paula, California. Santa Paula East Area I consists of 523 acres that we presently use as agricultural land and is located in Santa Paula approximately ten miles from the City of Ventura and the Pacific Ocean. This property is also known as our Teague McKevett Ranch. We believe East Area I is an ideal location for a master planned community of commercial and residential properties designed to satisfy expected demand in a region that we believe will have few other developments in this coming decade. In 2008, after we completed a process of community planning and environmental review, the citizens of Santa Paula voted to approve the annexation of East Area I into Santa Paula. This vote was a requirement of the Save Open-Space and Agricultural Resources, or SOAR, ordinance that mandates a public vote of the City of Santa Paula for land use conversion. We are currently in the process of obtaining final documentation to complete the entitlement and we have executed a 30-year pre-annexation and development agreement with the City of Santa Paula. The development agreement with the City of Santa Paula related to East Area I was approved by ordinance No. 1191 on March 17, 2008 (which ordinance became effective by its terms on April 17, 2008) and contemplates a development project consisting of up to 1,500 residential units and an estimated 811,000 square feet of office, retail, light industrial and civic facilities, together with schools, park sites and open spaces. In March 2011, the Ventura Local Agency Formation Commission (“LAFCo”) approved conditions that will allow for the annexation and incorporation of East Area 1 into the City of Santa Paula. We are currently working on tract mapping and design activities. We expect to develop this property with financial and development partners, outside consultants and our own internal resources. If current U.S. economic conditions remain stagnant, however, we are prepared to continue using this land for agricultural purposes until attractive development opportunities present themselves.

East Area II - Santa Paula, California. We and our design associates are in the process of formulating plans for East Area II, a parcel of approximately 30 acres adjacent to East Area I, also a part of our Teague McKevett Ranch, that we believe is suited to commercial and/or industrial development along the south side of California Highway 126, a heavily traveled corridor that connects Highway 101 at Ventura on the west with Interstate 5 at Santa Clarita on the east. When completed, we expect that the development will contribute to the economic vitality of the region and allow residents to work and shop within close proximity to their homes.

The successful development of East Area II will be partly dependent on the success of East Area I described above. We expect that East Area II could accommodate large retailers, a medium or large employer, a complex of mixed business and retail, or some combination of the foregoing. We are actively cultivating prospects to buy or become future tenants in East Area II and expect that development will closely follow the build-out of East Area I.

Windfall Farms - Creston, California. Windfall Farms is an approximately 724 acre former thoroughbred breeding farm and equestrian facility located in Creston, California, near Paso Robles. The property has paved roads, water wells, irrigation, piping, stables, homes, other out-buildings and a race track. Restrictions imposed by the California Land Conservation Act (also known as the Williamson Act) expired at the end of calendar year 2012 and presently 72 parcels as large as ten acres can be subdivided and resold, creating small agricultural parcels with home sites.

Santa Maria - Santa Barbara County, California. In early fiscal 2007, we invested in four entitled development parcels in Santa Barbara County, California, a county that, in our experience, entitles very few parcels. Located in Santa Maria, each of these parcels offers a residential and/or commercial development opportunity. A brief description of each parcel is as follows:

- Centennial Square has been approved for 72 condominiums on 5 acres, is close to medical facilities, shopping and transportation, and includes one acre zoned for commercial development.

- The Terraces at Pacific Crest is an approximately eight-acre parcel approved for 112 attached-housing units.

- Sevilla is approved for 69 single-family homes adjacent to shopping, transportation, schools, parks and medical facilities, with a parcel of approximately three-acres zoned for commercial use.

- The East Ridge property is approved for 120 single family homes on approximately 40 acres. Approximately 3 acres are zoned for commercial use. In February 2010, we formed a limited liability corporation with a third-party for the purpose of developing this property.

Limco Del Mar Ranch - Ventura, California. We believe Limco Del Mar Ranch, which is currently used for agricultural purposes, has long-term development potential. The Limco Del Mar Ranch is located on the east end of Ventura with southerly views of the Pacific Ocean. As described above in “Agribusiness - Farming,” this property is owned by a limited partnership of which we are the general partner and own an interest of approximately 23%. We manage the agricultural operations on this property.

Competitive Strengths

Agribusiness

With agricultural operations dating back to 1893, we are one of California’s oldest citrus growers and one of the largest growers of lemons and avocados in the United States. Consequently, we have developed significant experience with many crops, mainly lemons, avocados and oranges. The following is a brief list of what we believe is our significant competitive strengths with respect to our agribusiness segment:

- Our agricultural properties in Ventura County are located near the Pacific Ocean, which provides an ideal environment for growing lemons, avocados and row crops. Our agricultural properties in Tulare County, which is in the San Joaquin Valley in Central California, are also located in areas that are well-suited for growing citrus crops.

- Historically, a higher percentage of our crops go to the fresh market, which is commonly referred to as fresh utilization, than other growers and packers with which we compete.

- We have contiguous and nearby land resources that permit us to efficiently use our agricultural land and resources.

- In all but one of our properties, we are not dependent on State or Federal water projects to support our agribusiness or real estate development operations.

- We own approximately 84% of our agricultural land and take a long view on our fruit production practices.

- A significant amount of our agribusiness property was acquired many years ago, which results in a low cost basis and associated expenses.

- We have a well-trained and retentive labor force with many employees remaining with us for more than 30 years.

- Our integrated business model with respect to growing, packing, marketing and selling lemons allows us to better serve our customers.

- Our lemon packing operations allow us to enter into marketing alignments with successful companies in their respective products.

- We have achieved and maintained GLOBALGAP Certification by successfully demonstrating our adherence to specific GLOBALGAP standards. GLOBALGAP is an internationally recognized set of farm standards dedicated to "Good Agricultural Practices" or GAP. We believe that GLOBALGAP Certification differentiates us from our competitors and serves as reassurance to consumers and retailers that food reaches acceptable levels of safety and quality, and has been produced sustainably, respecting the health, safety and welfare of workers and the environment, and in consideration of animal welfare issues.

- We have made investments in ground-based solar projects that provide us with tangible and intangible non-revenue generating benefits. The electricity generated by these investments provides us with a significant portion of the electricity required to operate our packinghouse and cold storage facilities located in Santa Paula and provides a significant portion of the electricity required to operate four deep-water well pumps at one of our ranches in Tulare County. Additionally, these investments support our sustainable agricultural practices, reduce our dependence on fossil-based electricity generation and lower our carbon footprint. Moreover, electricity that we generate and do not use is conveyed seamlessly back to the investor-owned utilities operating in these two markets. Finally, over time, we expect that our customers and the end consumers of our fruit will value the investments that we have made in renewable energy as a part of our farming and packing operations, which we believe may help us differentiate our products from similar commodities.

- We have made various other investments in water rights, mutual water companies and cooperative memberships. We own shares in the following mutual water companies: Thermal Belt Mutual Water Co., Farmers Irrigation Co., Canyon Irrigation Co., San Cayetano Mutual Water Co. and the Middle Road Mutual Water Co. In 2007, we acquired additional water rights in the adjudicated Santa Paula Basin (aquifer).

Rental Operations

With respect to our rental operations segment, we believe our competitive advantages are as follows:

- Our housing and land rentals provide a consistent, dependable source of cash flow that helps to counter the volatility typically associated with an agricultural business.

- Our housing rental business allows us to offer a unique benefit to our employees, which in turn helps to provide us with a dependable, long-term employee base.

- Our leased land business allows us to partner with other agricultural producers that can serve as a profitable alternative to under-producing tree crop acreage.

- Our organic recycling tenant provides us with a low cost, environmentally friendly solution to weed and erosion control.

Real Estate Development

With respect to our real estate development segment, we believe our competitive advantages are as follows:

- Our real estate development activities are primarily focused in coastal areas north of Los Angeles and south of Santa Maria, which we believe have desirable climates for lifestyle families, retirees, and athletic and sports enthusiasts.

- We have entitlements to build approximately 1,500 residential units in our Santa Paula East Area I development and approximately 400 residential units in our Santa Maria properties.

- Several of our agricultural and real estate investment properties are unique and carry longer term development potential. These include Limco Del Mar and Windfall Farms, both as discussed above in “Real Estate Development.”

- Our East Area II property has approximately 30 acres of land commercially zoned, which is adjacent to our East Area I property. Our Santa Maria properties have approximately 10 acres zoned for mixed use retail, commercial and light manufacturing.

Business Strategy

While each of our business segments has a separate business strategy, we are an agribusiness and real estate development company that generates annual cash flows to support investments in agricultural and real estate development activities. As our agricultural and real estate development investments are monetized we intend to seek to expand our agribusiness into new regions and markets and invest in cash producing residential, commercial and industrial rental assets.

The following describes the key elements of our business strategy for each of our agribusiness, rental operations and real estate development business segments.

Agribusiness

With respect to our agribusiness segment, key elements of our strategy are:

- *Acquire Additional Lemon Producing Properties*. To the extent attractive opportunities arise and our capital availability permits, we intend to consider the acquisition of additional lemon producing properties. In order to be considered, such properties would need to have certain characteristics to provide acceptable returns, such as an adequate source of water, a warm micro-climate and well-drained soils. We anticipate that the most attractive opportunities to acquire lemon producing properties will be in the San Joaquin Valley near our existing operations in Tulare County.

- *Expand our Sources of Lemon Supply*. Peak lemon production occurs at different times of the year depending on geographic region. In addition to our lemon production in California and lemons we acquire from California-based third-party growers, we plan to expand our lemon supply sources to international markets such as Mexico, Chile and Argentina. Increases in lemons procured from third-party growers and international sources improve our ability to provide our customers with fresh lemons throughout the year.

- *Increase the Volume of our Lemon Packing Operations*. We regularly monitor our costs for redundancies and opportunities for cost reductions. In this regard, cost per carton is a function of throughput. We continually seek to acquire additional lemons from third-party growers to pack through our plant. Third-party growers are only added if we determine their fruit is of good quality and can be cost effective for both us and the grower. Of most importance is the overall fresh utilization rate for our fruit, which is directly related to quality.

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- *Expand International Production and Marketing of Lemons*. We estimate that we currently have approximately 5% of the fresh lemon market in the United States and a larger share of the United States lemon export market. We intend to explore opportunities to expand our international production and marketing of lemons. We have the ability to supply a wide range of customers and markets and, because we produce high quality lemons, we can export our lemons to international customers, which many of our competitors are unable to supply.

- *Explore the Construction of a New Lemon Packinghouse*. Over the years, new machinery and equipment along with upgrades have been added to our nearly 80 year-old packinghouse and cold storage facilities. This, along with an aggressive and proactive maintenance program, has allowed us to operate an efficient, competitive lemon packing facility. We are considering the construction of a new packinghouse or extensive upgrades that may have the potential to lower our packing costs by reducing labor and handling inputs.

- *Opportunistically Expand Our Plantings of Oranges, Specialty Citrus and Other Crops*. Our plantings of oranges, specialty citrus and other crops have been profitable and have been pursued to diversify our product line. Agricultural land that we believe is not suitable for lemons is typically planted with other specialty citrus or other crops. While we intend to expand our orange, specialty citrus and other crops, we expect to do so on an opportunistic basis in locations that we believe offer a record of historical profitability.

- *Opportunistically Expand our Plantings of Avocados*. We intend to opportunistically expand our plantings of avocados primarily because our profitability and cash flow realized from our avocados frequently offsets occasional losses in other crops we grow and helps to diversify our fruit production base.

- *Maintain and Grow our Relationship with Calavo*. Our alignment with, and ownership stake in, Calavo comprises our current marketing strategy for avocados. Calavo has expanded its sourcing into other regions of the world, including Mexico, Chile and Peru, which allows it to supply avocados to its retail and food service customers on a year-round basis. California avocados occupy a unique market window in the year-round supply chain and Calavo has experienced a general expansion of volume as consumption has grown. Thus, we intend to continue to have a strong and viable market for our California avocados as well as an equity participation in Calavo's overall expansion and profitability.

Rental Operations

With respect to our rental operations segment, key elements of our strategy include the following:

- *Secure Additional Rental and Housing Units*. Our housing, commercial and land rental operations provide us with a consistent, dependable source of cash flow that helps to fund our overall activities. Additionally, we believe our housing rental operation allows us to offer a unique benefit to our employees. Consequently, we intend to secure additional units through infill projects on existing sites and groupings of units on new sites within our owned acreage.

- *Opportunistically Lease Land to Third-Party Crop Farmers*. We regularly monitor the profitability of our fruit-producing acreage to ensure acceptable per acre returns. When we determine that leasing the land to third-party row crop farmers would be more profitable than farming the land, we intend to seek third-party row crop tenants.

- *Opportunistically Expand our Income-Producing Commercial and Industrial Rental Assets*. We intend to redeploy our future financial gains to acquire additional income-producing real estate investments and agricultural properties.

Real Estate Development

With respect to our real estate development segment, key elements of our strategy include:

- *Selectively and Responsibly Develop our Agricultural Land*. We recognize that long-term strategies are required for successful real estate development activities. We thus intend to maintain our position as a responsible agricultural land owner and major employer in Ventura County while focusing our real estate development activities on those agricultural land parcels that we believe offer the best opportunities to demonstrate our long-term vision for our community.

- *Opportunistically Increase our Real Estate Holdings*. We intend to redeploy our future financial gains to acquire additional income-producing real estate investments and agricultural properties.

Customers

On November 1, 2010, we began marketing and selling our lemons directly to our food service wholesale and retail customers in the United States, Canada, Asia, Australia and certain other international markets. Previously, Sunkist marketed and sold the majority of our lemons. We sold lemons to approximately one hundred customers during fiscal year 2012, comprised of 79% to domestic customers and 21% to domestic exporters. Our specialty citrus and other crops are sold through Sunkist and other third-party packinghouses. We currently sell all of our avocados to Calavo.

Information about Geographic Areas

During fiscal year 2012, lemon sales were comprised of 79% domestic sales and 21% sales to domestic exporters. During fiscal year 2011, lemon sales were comprised of 86% domestic sales, 12% sales to domestic exporters and 2% in international sales. Customers from within the United States, which includes Sunkist and Calavo, comprised 100% of our revenue for fiscal year 2010. Also, all of our long-lived assets are located within the United States.

Seasonal Nature of Business

As with any agribusiness enterprise, our agribusiness operations are predominantly seasonal in nature. The harvest and sale of our lemons, avocados, oranges and specialty citrus and other crops occurs in all quarters, but is generally more concentrated during our second and third quarters. Our lemons are generally grown and marketed throughout the year. Our avocados are sold generally throughout the year with the peak months being March through July. Our Navel oranges are primarily sold January through April and our Valencia oranges are primarily sold June through September. Our specialty citrus is sold from November through June and our specialty crops, such as cherries, peaches and plums are sold from May through September and our pistachios and olives are sold in September and/or October.

Competition

The lemon, avocado, orange and specialty citrus and other crop markets are intensely competitive, but no single producer has any significant market power over any market segments, as is consistent with the production of most agricultural commodities. Generally, there are a large number of global producers that sell through joint marketing organizations and cooperatives. Such fruit is also sold to independent packers, both public and private, who then sell to their own customer base. Customers are typically large retail chains, food service companies, industrial manufacturers and distributors who sell and deliver to smaller customers in local markets throughout the world. In the purest sense, our largest competitors are other citrus and avocado producers in California, Mexico, Chile, Argentina and Florida, a number of which are members of cooperatives such as Sunkist or have selling relationships with Calavo similar to that of Limoneira. In another sense, we compete with other fruits and vegetables for the share of consumer expenditures devoted to fresh fruit and vegetables: apples, pears, melons, pineapples and other tropical fruit. Avocado products compete in the supermarket with hummus products and other dips and salsas. U.S. producers of tree fruits and nuts generate approximately $18 billion of tree fruits and nuts each year, about 10% of which is exported. For our specific crops, the size of the U.S. market is approximately $300 million for lemons, approximately $300 to $400 million for avocados depending on the year, and approximately $1.5 to $2.0 billion for oranges, both fresh and juice. Competition in the various markets in which we operate is affected by reliability of supply, product quality, brand recognition and perception, price and the ability to satisfy changing customer preferences through innovative product offerings.

The sale and leasing of residential, commercial and industrial real estate is very competitive, with competition coming from numerous and varied sources throughout California. The degree of competition has increased due to the current economic climate, which has caused an oversupply of comparable real estate available-for-sale or lease due to the decline in demand as a result of the current downturn in the housing market and the credit crisis. Our greatest direct competition for each of our current real estate development properties in Ventura and Santa Barbara Counties comes from other residential and commercial developments in nearby areas. Windfall Farms competes generally with the second home and life-style real estate market, which includes golf course communities, marinas, destination resorts and other equestrian facilities located in Southern California, and, therefore, its competition ranges over a greater area and range of consumer options.

Intellectual Property

Prior to November 1, 2010, most of our lemons were marketed and sold under the Sunkist brand. Effective November 1, 2010, we terminated the Sunkist License Agreement for the sale and marketing of lemons and began marketing and selling lemons directly to its customers. We have numerous trademarks and brands under which we market and sell our fruits, particularly lemons, domestically and internationally, many of which have been owned for decades. The Limoneira brands of lemons, including Santa®, Paula®, Bridal Veil®, Fountain®, Golden Bowl® and Level®, are examples of such trademarks owned by us and registered with the United States Patent and Trademark Office. Under our direct lemon sales strategy, trademark rights in our brands is, and will continue to be, more important than in the past when our lemons were marketed and sold under the Sunkist brand.

Employees

At October 31, 2012, we had 226 employees, 61 of which were salaried and 165 of which were hourly. None of our employees are subject to a collective bargaining agreement. We believe our relations with our employees are good.

Research and Development

Our research and development programs concentrate on sustaining the productivity of our agricultural lands, product quality and value-added product development. Agricultural research is directed toward sustaining and improving product yields and product quality by examining and improving agricultural practices in all phases of production (such as the development of specifically adapted plant varieties, land preparation, fertilization, pest and disease control, post-harvest handling, packing and shipping procedures), and includes on-site technical services and the implementation and monitoring of recommended agricultural practices. Research efforts are also directed towards integrated pest management. We conduct agricultural research at field facilities throughout our growing areas. We also sponsor research related to environmental improvements and the protection of worker and community health. The aggregate amounts we spent on research and development in each of the last three years have not been material in any of such years.

Environmental and Regulatory Matters

Our agribusiness and real estate development operations are subject to a broad range of evolving federal, state and local environmental laws and regulations. For example, the growing, packing, storing and distributing of our products is extensively regulated by various federal and state agencies. The California State Department of Food and Agriculture oversees our packing and processing of lemons and conducts tests for fruit quality and packaging standards. We are also subject to laws and regulations which govern the use of pesticides and other potentially hazardous substances and the treatment, handling, storage and disposal of materials and waste and the remediation of contaminated properties. Advertising of our products is subject to regulation by the Federal Trade Commission and our operations are subject to certain health and safety regulations, including those issued under the Occupational Safety and Health Act.

We seek to comply at all times with all such laws and regulations and to obtain any necessary permits and licenses, and we are not aware of any instances of material non-compliance. We believe our facilities and practices are sufficient to maintain compliance with applicable governmental laws, regulations, permits and licenses. Nevertheless, there is no guarantee that we will be able to comply with any future laws and regulations for necessary permits and licenses. Our failure to comply with applicable laws and regulations or obtain any necessary permits and licenses could subject us to civil remedies including fines, injunctions, recalls or seizures, as well as potential criminal sanctions. These remedies can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. The risks described below are not the only ones we will face. If any of the following risks or other risks actually occurs, our business, financial condition, results of operations or future prospects could be materially and adversely affected. In such event, the trading price of our common stock could decline and investors in our common stock could lose all or part of their investment.

Risks Related to Our Agribusiness Segment

Adverse weather conditions, natural disasters, crop disease, pests and other natural conditions, including the effects of climate change, can impose significant costs and losses on our business.

Fresh produce is vulnerable to adverse weather conditions, including windstorms, floods, drought and temperature extremes, which are quite common and may occur with higher frequency or be less predictable in the future due to the effects of climate change. Unfavorable growing conditions can reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas. These factors can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Citrus and avocado orchards are subject to damage from frost and freezes and this has happened periodically in the recent past. In some cases, the fruit is damaged or ruined while in the case of extended periods of cold, the trees can also be damaged or killed.

Fresh produce is also vulnerable to crop disease and to pests, *e.g.* the Mediterranean Fruit Fly and the Asian Citrus Psyillid (“ACP”), which may vary in severity and effect, depending on the stage of production at the time of infection or infestation, the type of treatment applied and climatic conditions.

On December 31, 2010, the California Department of Food and Agriculture expanded its existing quarantine area and related restrictions to include all of Ventura County and a portion of Santa Barbara County due to the discovery of ACP infestation in Ventura County, near our orchards. ACP quarantines are now in place in Ventura, San Diego, Imperial, Orange, Los Angeles, San Bernardino, Riverside and a portion of Santa Barbara Counties in California. The quarantine prohibits the movement of nursery stock out of quarantine areas and requires that all citrus fruit be cleaned of leaves and stems prior to movement out of the quarantine area. 86% of our lemon orchards are located in the quarantine area. ACP has also been detected in Tulare County, near our orchards. Tulare is not quarantined, but may become included in the quarantine area.

ACP is an aphid–like insect that is a serious pest to all citrus plants because it can transmit the disease, Huanglonbing (“HLB”), when it feeds on the plants’ leaves and trees. By itself, ACP causes only minor cosmetic damage to citrus trees. HLB, however, is considered to be one of the most devastating diseases of citrus in the world. Symptoms of HLB include yellow shoots, leaf mottle, small upright leaves and lopsided fruit with a bitter flavor. Trees infected with HLB decline in health, produce inedible fruit and eventually die, usually in 3 to 5 years after becoming infected. There is no cure for the disease and infected trees must be removed and destroyed to prevent further spreading. Both ACP and HLB are federal action quarantine pests subject to interstate and international quarantine restrictions by the United States Department of Agriculture (“USDA”). ACP and HLB exist in Florida, Louisiana, Georgia, South Carolina and Texas. HLB was detected in Los Angeles County in 2012. ACP has been detected but not HLB in Mississippi and Alabama. ACP and HLB also exist in Mexico and certain other countries.

To date, ACP has not been discovered in our orchards and HLB has not been detected in trapped ACP or trees in California, but there can be no assurance that HLB will not be detected in the future. The quarantine and treatment of ACP under current protocols is not expected to have a significant direct financial impact on us. There are a number of registered insecticides known to be effective against ACP. However, certain markets and customer responses to the discovery of ACP and the related quarantine could result in a significant decline in revenue due to restrictions on where our lemons can be sold and lower demand for our lemons. Additional government regulations and other quarantine requirements or customer handling and inspection requirements could increase agribusiness costs to us. Our citrus orchards could be at risk if ACP starts to transmit the HLB disease to our trees. Agribusiness costs could also increase significantly as a result of HLB. For example, a recent study in Florida indicated the presence of HLB has increased citrus production costs by as much as 40%.

The costs to control these diseases and other infestations vary depending on the severity of the damage and the extent of the plantings affected. Moreover, there can be no assurance that available technologies to control such infestations will continue to be effective. These infestations can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Our business is highly competitive and we cannot assure you that we will maintain our current market share.

Many companies compete in our different businesses. However, only a few well-established companies operate on an international, national and regional basis with one or several product lines. We face strong competition from these and other companies in all our product lines.

Important factors with respect to our competitors include the following:

- Some of our competitors may have greater operating flexibility and, in certain cases, this may permit them to respond better or more quickly to changes in the industry or to introduce new products and packaging more quickly and with greater marketing support.
- We cannot predict the pricing or promotional actions of our competitors or whether those actions will have a negative effect on us.

There can be no assurance that we will continue to compete effectively with our present and future competitors, and our ability to compete could be materially adversely affected by our debt levels and debt service requirements.

Our strategy of marketing and selling our lemons directly to our food service, wholesale and retail customers may not continue to be successful.

Prior to November 1, 2010, most of our lemons, including our packinghouse branded lemons, such as Santa® and Paula®, were marketed and sold under the Sunkist brand to food service industry wholesale and retail customers in the United States, Canada, Asia and certain other markets primarily through Sunkist, an agricultural marketing cooperative through which we previously sold our lemons. Effective November 1, 2010, we terminated the Sunkist License Agreement and began to market and sell our lemons directly to our food service wholesale and retail customers throughout the United States, Canada, Asia, Australia and certain other international markets. This represented a significant departure from our traditional method of selling our lemons through Sunkist, and there can be no assurance that such strategy will continue to be successful.

Our earnings are sensitive to fluctuations in market prices and demand for our products.

Excess supplies often cause severe price competition in our industry. Growing conditions in various parts of the world, particularly weather conditions such as windstorms, floods, droughts and freezes, as well as diseases and pests, are primary factors affecting market prices because of their influence on the supply and quality of product.

Fresh produce is highly perishable and generally must be brought to market and sold soon after harvest. Some items, such as avocados, oranges and specialty citrus, must be sold more quickly, while other items, such as lemons, can be held in cold storage for longer periods of time. The selling price received for each type of produce depends on all of these factors, including the availability and quality of the produce item in the market, and the availability and quality of competing types of produce.

In addition, general public perceptions regarding the quality, safety or health risks associated with particular food products could reduce demand and prices for some of our products. To the extent that consumer preferences evolve away from products that we produce for health or other reasons, and we are unable to modify our products or to develop products that satisfy new consumer preferences, there will be a decreased demand for our products. However, even if market prices are unfavorable, produce items which are ready to be, or have been, harvested must be brought to market promptly. A decrease in the selling price received for our products due to the factors described above could have a material adverse effect on our business, results of operations and financial condition.

Our earnings may be subject to seasonal variability.

Our earnings may be affected by seasonal factors, including:

- the seasonality of our supplies and consumer demand;
- the ability to process products during critical harvest periods; and
- the timing and effects of ripening and perishability.

Our lemons are generally grown and marketed throughout the year. Our Navel oranges are sold generally January through April and our Valencia oranges are sold generally June through September. Our avocados are sold generally throughout the year with the peak months being March through July. Our specialty citrus is sold generally from November through June, our cherries, peaches and plums are sold from May through September and our pistachios and olives are sold in September and October.

Currency exchange fluctuation may impact the results of our operations.

We distribute our products both nationally and internationally. Our international sales are transacted in U.S. dollars. Our results of operations are affected by fluctuations in currency exchange rates in both sourcing and selling locations. In the past, periods of a strong U.S. dollar relative to other currencies has led international customers, particularly in Asia, to find alternative sources of fruit.

Increases in commodity or raw product costs, such as fuel and paper, could adversely affect our operating results.

Many factors may affect the cost and supply of fresh produce, including external conditions, commodity market fluctuations, currency fluctuations, changes in governmental laws and regulations, agricultural programs, severe and prolonged weather conditions and natural disasters. Increased costs for purchased fruit have in the past negatively impacted our operating results, and there can be no assurance that they will not adversely affect our operating results in the future.

The price of various commodities can significantly affect our costs. Our fuel costs have increased substantially in recent years, and there can be no assurance that there will not be further increases in the future. If the price of oil rises, the costs of our herbicides and pesticides can be significantly impacted.

The cost of paper is also significant to us because some of our products are packed in cardboard boxes for shipment. If the price of paper increases and we are not able to effectively pass these price increases along to our customers, then our operating income will decrease. Increased costs for paper have in the past negatively impacted our operating income, and there can be no assurance that these increased costs will not adversely affect our operating results in the future.

The lack of sufficient water would severely impact our ability to produce crops or develop real estate.

The average rainfall in Ventura County is between 14 and 15 inches per year, with most of it occurring in fall and winter. These amounts are substantially below amounts required to grow crops and therefore we are dependent on our rights to pump water from underground aquifers. Extended periods of drought in California may put additional pressure on the use and availability of water for agricultural uses and in some cases Governmental authorities have diverted water to other uses. As California has grown, there are increasing and multiple pressures on the use and distribution of water, which many view as a finite resource. Lack of available potable water can also limit real estate development.

The use of herbicides, pesticides and other potentially hazardous substances in our operations may lead to environmental damage and result in increased costs to us.

We use herbicides, pesticides and other potentially hazardous substances in the operation of our business. We may have to pay for the costs or damages associated with the improper application, accidental release or the use or misuse of such substances. Our insurance may not be adequate to cover such costs or damages or may not continue to be available at a price or under terms that are satisfactory to us. In such cases, payment of such costs or damages could have a material adverse effect on our business, results of operations and financial condition.

Global capital and credit market issues affect our liquidity, increase our borrowing costs and may affect the operations of our suppliers and customers.

The global capital and credit markets have experienced increased volatility and disruption over the past several years, making it more difficult for companies to access those markets. We depend in part on stable, liquid and well-functioning capital and credit markets to fund our operations. Although we believe that our operating cash flows and existing credit facilities will permit us to meet our financing needs for the foreseeable future, there can be no assurance that continued or increased volatility and disruption in the capital and credit markets will not impair our liquidity or increase our costs of borrowing. Our business could also be negatively impacted if our suppliers or customers experience disruptions resulting from tighter capital and credit markets or a slowdown in the general economy.

A global economic downturn may have an adverse impact on participants in our industry, which cannot be fully predicted.

The full impact of a global economic downturn on customers, vendors and other business partners cannot be anticipated. For example, major customers or vendors may have financial challenges unrelated to us that could result in a decrease in their business with us or, in extreme cases, cause them to file for bankruptcy protection. Similarly, parties to contracts may be forced to breach their obligations under those contracts. Although we exercise prudent oversight of the credit ratings and financial strength of our major business partners and seek to diversify our risk to any single business partner, there can be no assurance that there will not be a bank, insurance company, supplier, customer or other financial partner that is unable to meet its contractual commitments to us. Similarly, stresses and pressures in the industry may result in impacts on our business partners and competitors, which could have wide ranging impacts on the future of the industry.

Terrorism and the uncertainty of war may have a material adverse effect on our operating results.

Terrorist attacks, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, the subsequent response by the United States in Afghanistan, Iraq and other locations, and other acts of violence or war in the United States or abroad may affect the markets in which we operate and our operations and profitability. Further terrorist attacks against the United States or operators of United States-owned businesses outside the United States may occur, or hostilities could develop based on the current international situation. The potential near-term and long-term effect these attacks may have on our business operations, our customers, the markets for our products, the United States economy and the economies of other places we source or sell our products is uncertain. The consequences of any terrorist attacks, or any armed conflicts, are unpredictable, and we may not be able to foresee events that could have an adverse effect on our markets or our business.

We are subject to the risk of product contamination and product liability claims.

The sale of food products for human consumption involves the risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling or transportation phases. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, we cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image. Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance, however, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage.

We are subject to transportation risks.

An extended interruption in our ability to ship our products could have a material adverse effect on our business, financial condition and results of operations. Similarly, any extended disruption in the distribution of our products could have a material adverse effect on our business, financial condition and results of operations. While we believe we are adequately insured and would attempt to transport our products by alternative means if we were to experience an interruption due to strike, natural disasters or otherwise, we cannot be sure that we would be able to do so or be successful in doing so in a timely and cost-effective manner.

Events or rumors relating to the LIMONEIRA, Santa®, Paula®, Bridal Veil®, Fountain®, Golden Bowl® and Level®, brands could significantly impact our business.

Consumer and institutional recognition of the LIMONEIRA, Santa®, Paula®, Bridal Veil®, Fountain®, Golden Bowl® and Level®, trademarks and related brands and the association of these brands with high quality and safe food products are an integral part of our business. The occurrence of any events or rumors that cause consumers and/or institutions to no longer associate these brands with high quality and safe food products may materially adversely affect the value of our brand names and demand for our products.

We are dependent on key personnel and the loss of one or more of those key personnel may materially and adversely affect our prospects.

We currently depend heavily on the services of our key management personnel. The loss of any key personnel could materially and adversely affect our results of operations, financial condition, or our ability to pursue land development. Our success will also depend in part on our ability to attract and retain additional qualified management personnel.

Inflation can have a significant adverse effect on our operations.

Inflation can have a major impact on our farming operations. The farming operations are most affected by escalating costs and unpredictable revenues (due to an oversupply of certain crops) and very high irrigation water costs. High fixed water costs related to our farm lands will continue to adversely affect earnings. Prices received for many of our products are dependent upon prevailing market conditions and commodity prices. Therefore, it is difficult for us to accurately predict revenue, just as we cannot pass on cost increases caused by general inflation, except to the extent reflected in market conditions and commodity prices.

Government regulation could increase our costs of production and increase legal and regulatory expenses.

Growing, packaging, storing and distributing food products are activities subject to extensive federal, state and local regulation, as well as foreign regulation. These aspects of our operations are regulated by the U.S. Food and Drug Administration (the “FDA”), the USDA and various state and local public health and agricultural agencies. On January 4, 2011, the FDA Food Safety Modernization Act, which is intended to ensure food safety, was enacted. This Act provides direct recall authority to the FDA and includes a number of other provisions designed to enhance food safety, including increased inspections by the FDA of food facilities. Our business is also affected by import and export controls and similar laws and regulations, both in the United States and elsewhere. Issues such as health and safety, which slow or otherwise restrict imports and exports, could adversely affect our business. In addition, the modification of existing laws or regulations or the introduction of new laws or regulations could require us to make material expenditures or otherwise adversely affect the way that we have historically operated our business.

Our strategy to expand international production and marketing may not be successful and may subject us to risks associated with doing business in corrupt environments.

While we intend to expand our lemon supply sources to international markets and explore opportunities to expand our international production and marketing of lemons, we may not be successful in implementing this strategy. Additionally, in many countries outside of the United States, particularly in those with developing economies, it may be common for others to engage in business practices prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act or similar local anti-bribery laws. These laws generally prohibit companies and their employees, contractors or agents from making improper payments to government officials for the purpose of obtaining or retaining business. Failure to comply with these laws could subject us to civil and criminal penalties that could materially and adversely affect our financial condition and results of operations.

Risks Related to Our Indebtedness

We may be unable to generate sufficient cash flow to service our debt obligations.

To service our debt, we require a significant amount of cash. Our ability to generate cash, make scheduled payments or refinance our obligations depends on our successful financial and operating performance. Our financial and operating performance, cash flow and capital resources depend upon prevailing economic conditions and various financial, business and other factors, many of which are beyond our control. These factors include among others:

- economic and competitive conditions;
- changes in laws and regulations;
- operating difficulties, increased operating costs or pricing pressures we may experience; and
- delays in implementing any strategic projects.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. If we are required to take any actions referred to above, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions on terms acceptable to us, or at all, or that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt agreements.

Restrictive covenants in our debt instruments restrict or prohibit our ability to engage in or enter into a variety of transactions, which could adversely restrict our financial and operating flexibility and subject us to other risks.

Our revolving credit and term loan facilities contain various restrictive covenants that limit our ability to take certain actions. In particular, these agreements limit our and our ability to, among other things:

- incur additional indebtedness;

- make certain investments or acquisitions;
- create certain liens on our assets;
- engage in certain types of transactions with affiliates;
- merge, consolidate or transfer substantially all our assets; and
- transfer and sell assets.

Our revolving credit facility (the “Rabobank Credit Facility”) with Rabobank N.A. (“Rabobank”) contains a financial covenant that requires us to maintain compliance with a specified debt service coverage ratio on an annual basis. At October 31, 2012 and 2011, we were in compliance with such debt service coverage ratio. Our failure to comply with this covenant in the future may result in the declaration of an event of default under our Rabobank Credit Facility.

Any or all of these covenants could have a material adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities and to fund our operations. Any future debt could also contain financial and other covenants more restrictive than those imposed under our line of credit and term loan facilities.

A breach of a covenant or other provision in any credit facility governing our current and future indebtedness could result in a default under that facility and, due to cross-default and cross-acceleration provisions, could result in a default under our other credit facilities. Upon the occurrence of an event of default under any of our credit facilities, the applicable lender(s) could elect to declare all amounts outstanding to be immediately due and payable and, with respect to our revolving credit facility, terminate all commitments to extend further credit. If we were unable to repay those amounts, our lenders could proceed against the collateral granted to them to secure the indebtedness. If the lenders under our current or future indebtedness were to accelerate the payment of the indebtedness, we cannot assure you that our assets or cash flow would be sufficient to repay in full our outstanding indebtedness.

Despite our relatively high current indebtedness levels and the restrictive covenants set forth in agreements governing our indebtedness, we may still incur significant additional indebtedness, including secured indebtedness. Incurring more indebtedness could increase the risks associated with our substantial indebtedness.

Subject to the restrictions in our credit facilities, we may incur significant additional indebtedness. If new debt is added to our current debt levels, the related risks that we now face could increase.

Some of our debt is based on variable rates of interest, which could result in higher interest expenses in the event of an increase in the interest rates.

Our Rabobank Credit Facility and a portion of our three term loans ("Farm Credit West Term Loans") and non-revolving line of credit ("Farm Credit West Line of Credit") with Farm Credit West FLCA and Farm Credit West, PCA (collectively "Farm Credit West") currently bear interest at variable rates, which will generally change as interest rates change. We bear the risk that the rates we are charged by our lenders will increase faster than the earnings and cash flow of our business, which could reduce profitability, adversely affect our ability to service our debt, cause us to breach covenants contained in our Rabobank Credit Facility, or our Farm Credit West Term Loans or Farm Credit West Line of Credit, any of which could materially adversely affect our business, financial condition and results of operations. In addition, while we have entered into interest rate swaps as hedging instruments to fix a substantial portion of the variable component of our indebtedness, such interest rate swaps could also have an adverse impact on the comparative results of our operation if prevailing interest rates remain below fixed rates established in such instruments.

Risks Related to Our Real Estate Development Segment

We are involved in a cyclical industry and are affected by changes in general and local economic conditions.

The real estate development industry is cyclical and is significantly affected by changes in general and local economic conditions, including:

- employment levels;
- availability of financing;

- interest rates;
- consumer confidence;
- demand for the developed product, whether residential or industrial; and
- supply of similar product, whether residential or industrial.

The process of project development and the commitment of financial and other resources occur long before a real estate project comes to market. A real estate project could come to market at a time when the real estate market is depressed. It is also possible in a rural area like ours that no market for the project will develop as projected.

A recession in the global economy, or a downturn in national or regional economic conditions, could adversely impact our real estate development business.

Future economic instability or tightening in the credit markets could lead to another housing market collapse, which could adversely affect our real estate development operations. Our future real estate sales, revenues, financial condition and results of operations could suffer as a result. Our business is especially sensitive to economic conditions in California, where our properties are located.

Higher interest rates and lack of available financing can have significant impacts on the real estate industry.

Higher interest rates generally impact the real estate industry by making it harder for buyers to qualify for financing, which can lead to a decrease in the demand for residential, commercial or industrial sites. Any decrease in demand will negatively impact our proposed developments. Lack of available credit to finance real estate purchases can also negatively impact demand. Any downturn in the economy or consumer confidence can also be expected to result in reduced housing demand and slower industrial development, which would negatively impact the demand for land we are developing.

We are subject to various land use regulations and require governmental approvals for our developments that could be denied.

In planning and developing our land, we are subject to various local, state, and federal statutes, ordinances, rules and regulations concerning zoning, infrastructure design, subdivision of land, and construction. All of our new developments require amending existing general plan and zoning designations, so it is possible that our entitlement applications could be denied. In addition, the zoning that ultimately is approved could include density provisions that would limit the number of homes and other structures that could be built within the boundaries of a particular area, which could adversely impact the financial returns from a given project. In addition, many states, cities and counties (including Ventura County) have in the past approved various "slow growth" or "urban limit line" measures.

In March 2011, LAFCo approved conditions that will allow for the annexation and incorporation of East Area 1 into the City of Santa Paula. If LAFCo does not provide final approval for the annexation, or if unforeseen regulatory challenges occur, we may not be able to develop East Area I as planned and the approximately $47.4 million investment we have into the project could be impaired.

Third-party litigation could increase the time and cost of our real estate development efforts.

The land use approval processes we must follow to ultimately develop our projects have become increasingly complex. Moreover, the statutes, regulations and ordinances governing the approval processes provide third parties the opportunity to challenge the proposed plans and approvals. As a result, the prospect of third-party challenges to planned real estate developments provides additional uncertainties in real estate development planning and entitlements. Third-party challenges in the form of litigation would, by their nature, adversely affect the length of time and the cost required to obtain the necessary approvals. In addition, adverse decisions arising from any litigation would increase the costs and length of time to obtain ultimate approval of a project and could adversely affect the design, scope, plans and profitability of a project.

We are subject to environmental regulations and opposition from environmental groups that could cause delays and increase the costs of our real estate development efforts or preclude such development entirely.

Environmental laws that apply to a given site can vary greatly according to the site's location and condition, present and former uses of the site, and the presence or absence of sensitive elements like wetlands and endangered species. Environmental laws and conditions may (i) result in delays, (ii) cause us to incur additional costs for compliance, where a significant amount of our developable land is located, mitigation and processing land use applications, or (iii) preclude development in specific areas. In addition, in California, third parties have the ability to file litigation challenging the approval of a project, which they usually do by alleging inadequate disclosure and mitigation of the environmental impacts of the project. While we have worked with representatives of various environmental interests and wildlife agencies to minimize and mitigate the impacts of our planned projects, certain groups opposed to development may oppose our projects vigorously, so litigation challenging their approval could occur. Recent concerns over the impact of development on water availability and global warming increases the breadth of potential obstacles that our developments face.

Our developable land is concentrated entirely in California.

All of our developable land is in California and our business is especially sensitive to the economic conditions within California. Any adverse change in the economic climate of California, which is currently in a recession, or our region of that state, and any adverse change in the political or regulatory climate of California, or the counties where our land is located could adversely affect our real estate development activities. There is no consensus as to when the recession will end or how long it could take to recover from the recession. Ultimately, our ability to sell or lease lots may decline as a result of weak economic conditions or restrictive regulations.

If the real estate industry continues to be stagnant or the instability of the mortgage industry and commercial real estate financing continues, it could have an adverse effect on our real estate business.

Our residential housing projects are currently in various stages of planning and entitlement, and therefore they have not been impacted by the recent downturn in the housing market or the mortgage lending crisis. However, if the housing market continues to be stagnant, experiences another downturn or the instability of the mortgage industry continues at the time these projects move into their development and marketing phases, our residential business could be adversely affected. An excess supply of homes available due to foreclosures or the expectation of deflation in house prices could also have a negative impact on our ability to sell our inventory when it becomes available.

We rely on contractual arrangements with third party advisors to assist us in carrying out our real estate development projects and are subject to risks associated with such arrangements.

We utilize third party contractor and consultant arrangements to assist us in operating our real estate development segment. These contractual arrangements may not be as effective in providing direct control over this business segment. For example, our third party advisors could fail to take actions required for our real estate development businesses despite its contractual obligation to do so. If the third party advisors fail to perform under their agreements with us, we may have to rely on legal remedies under the law, which may not be effective. In addition, we cannot assure you that our third party advisors would always act in our best interests.

If we are unable to complete land development projects within forecasted time and budget expectations, if at all, our financial results may be negatively affected.

We intend to develop land and real estate properties as suitable opportunities arise, taking into consideration the general economic climate. New real estate development projects have a number of risks, including the following:

- Construction delays or cost overruns that may increase project costs;
- Development costs incurred for projects that are not pursued to completion;
- Earthquakes, hurricanes, floods, fires or other natural disasters that could adversely affect a project;
- Defects in design or construction that may result in additional costs to remedy or require all or a portion of a property to be closed during the period required to rectify the situation; and
- Our ability to raise capital.

If any development project is not completed on time or within budget, our financial results may be negatively affected.

We could experience a reduction in revenues or reduced cash flows if we are unable to obtain reasonably priced financing to support our real estate development projects and land development activities.

The real estate development industry is capital intensive, and development requires significant up-front expenditures to develop land and begin real estate construction. Accordingly, we have and may continue to incur substantial indebtedness to finance our real estate development and land development activities. Although we believe that internally generated funds and current borrowing capacity will be sufficient to fund our capital and other expenditures, including additional land acquisition, development and construction activities, the amounts available from such sources may not be adequate to meet our needs. If such sources were insufficient, we would seek additional capital in the form of debt from a variety of potential sources, including bank financing. The availability of borrowed funds to be used for additional land acquisition, development and construction may be greatly reduced, and the lending community may require increased amounts of equity to be invested in a project by borrowers in connection with new loans. The failure to obtain sufficient capital to fund our planned expenditures could have a material adverse effect on our business and operations and our results of operations in future periods.

We may encounter other risks that could impact our ability to develop our land.

We may also encounter other difficulties in developing our land, including:

- natural risks, such as geological and soil problems, earthquakes, fire, heavy rains and flooding and heavy winds;
- shortages of qualified trades people;
- reliance on local contractors, who may be inadequately capitalized;
- shortages of materials; and
- increases in the cost of certain materials.

Risks Relating to Our Common Stock

The value of our common stock could be volatile.

The overall market and the price of our common stock may fluctuate greatly and we cannot assure you that you will be able to resell shares at or above market price. The trading price of our common stock may be significantly affected by various factors, including:

- quarterly fluctuations in our operating results;
- changes in investors' and analysts' perception of the business risks and conditions of our business;
- our ability to meet the earnings estimates and other performance expectations of financial analysts or investors;
- unfavorable commentary or downgrades of our stock by equity research analysts;
- fluctuations in the stock prices of our peer companies or in stock markets in general; and
- general economic or political conditions.

Concentrated ownership of our common stock creates a risk of sudden change in our share price.

As of October 31, 2012, directors and members of our executive management team beneficially owned or controlled approximately 11.7% of our common stock. Investors who purchase our common stock may be subject to certain risks due to the concentrated ownership of our common stock. The sale by any of our large stockholders of a significant portion of that stockholder's holdings could have a material adverse effect on the market price of our common stock. In addition, the registration of any significant amount of additional shares of our common stock will have the immediate effect of increasing the public float of our common stock and any such increase may cause the market price of our common stock to decline or fluctuate significantly.

Our charter documents contain provisions that may delay, defer or prevent a change of control.

Provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders. These provisions include the following:

- division of our board of directors into three classes, with each class serving a staggered three-year term;
- removal of directors by stockholders by a supermajority of two-thirds of the outstanding shares;
- ability of the board of directors to authorize the issuance of preferred stock in series without stockholder approval; and
- prohibitions on our stockholders that prevent them from acting by written consent and limitations on calling special meetings.

We incur increased costs as a result of being a publicly traded company.

As a Company with publicly traded securities, we have incurred, and will continue to incur, significant legal, accounting and other expenses not historically incurred. In addition, the Sarbanes-Oxley Act of 2002, as well as rules promulgated by the SEC and NASDAQ, require us to adopt corporate governance practices applicable to U.S. public companies. These rules and regulations may increase our legal and financial compliance costs, which could adversely affect the trading price of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Real Estate

We own our corporate headquarters in Santa Paula, California. We own approximately 6,200 acres of farm land in California with approximately 4,000 acres located in Ventura County and approximately 2,200 acres located in Tulare County, which is in the San Joaquin Valley. We lease approximately 30 acres of land located in Ventura County and approximately 1,000 acres in Tulare County. We also have an interest in a partnership that owns approximately 220 acres of land in Ventura County. The land used for agricultural plantings consists of approximately 2,060 acres of lemons, approximately 1,169 acres of avocados, approximately 1,654 acres of oranges and approximately 773 acres of specialty citrus and other crops. Our agribusiness land holdings are summarized below:

Ranch Name	Acres	Book Value	Acquisition Date	Book Value per Acre
Limoneira/Olivelands Ranch	1,744	$767,000	1907, 1913, 1920	$440
Orchard Farm Ranch	1,119	$3,240,000	1920	$2,895
La Campana Ranch	324	$758,000	1964	$2,340
Teague McKevett Ranch	460	$8,253,000	1994	$17,941
Rancho La Cuesta Ranch	222	$2,899,000	1994	$13,059
Porterville Ranch	669	$6,427,000	1997	$9,607
Ducor Ranch	890	$6,064,000	1997	$6,813
Wilson Ranch	52	$1,100,000	2001	$21,154
Jencks Ranch	101	$846,000	2007	$8,376
Stage Coach Ranch	65	$603,000	2012	$9,277
Martinez Ranch	230	$1,363,000	2012	$5,926
Other agribusiness land	283	$729,000	various	$2,576
	6,159	$33,049,000		

The book value of our agribusiness land holdings of $33,049,000 differs from the land balance of $26,464,000 included in property plant and equipment, Note 6 of the consolidated financial statements in Item 8 of Form 10-K. The table above presents our current land holdings in agribusiness operations and, therefore, excludes rental operations land and includes the Teague McKevett Ranch, which is classified as real estate development in the consolidated financial statements because of its planned development as East Areas I and II.

In January 2012, we entered into six operating leases for the Sheldon Ranch. Each of the leases is for a ten-year term and provides for four five-year renewal options with an aggregate base rent of approximately $500,000 per year. The leases also contain profit share arrangements with the lessors as additional rent on each of the properties and a provision for the potential purchase of the properties by us in the future.

We own our packing facility located in Santa Paula, California, where we process and pack our lemons as well as lemons for other growers. In 2008, we entered into an operating lease agreement and completed the installation of a 5.5 acre, one-megawatt ground-based photovoltaic solar generator, which provides the majority of the power to operate our packing facility. In 2009, we completed the installation of a one-megawatt solar array (which we also lease through an operating lease agreement), which provides us with a majority of the electricity required to operate four deep water well pumps at one of our ranches in the San Joaquin Valley.

We own approximately 200 residential units in Santa Paula, California that we lease as part of our rental operations segment to our employees, former employees and outside tenants and several commercial office buildings and properties that are leased to various tenants.

We own real estate development property in the California counties of San Luis Obispo, Santa Barbara and Ventura. These properties are in various stages of development for up to approximately 2,000 residential units and approximately 811,000 square feet of commercial space.

Water Rights

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

Our rights to extract groundwater from the Santa Paula Basin are governed by the Santa Paula Basin Judgment (the "Judgment"). The Judgment was entered in 1996 by stipulation among the United Water Conservation District, the City of Ventura and various members of the Santa Paula Basin Pumpers Association (the "Association"). The Association is a not-for-profit, mutual benefit corporation, which represents the interests of all overlying landowners with rights to extract groundwater from the Santa Paula Basin and the City of Santa Paula. We are a member of the Association. Membership in the Association is governed by the Association's Bylaws.

The Judgment adjudicated and allocated water rights in the Santa Paula Basin among the Association's members and the City of Ventura. The water rights are established and governed by a seven-year moving average (i.e. production can rise or fall in any particular year so long as the seven year average is not exceeded). Under California law, the water rights are considered "property." A perpetual right to water, evidenced by the Judgment, can be exchanged for interests in real property under IRS Code Section 1031 and if condemned by a public agency, just compensation must be paid to the rightful owner. Our rights under the Judgment are perpetual and considered very firm and reliable which reflects favorably upon their fair market value.

For ease of administration, the Association is appointed by the Judgment as the trustee of its members' water rights and is responsible for coordinating and promoting the interests of its members. The Judgment includes provisions for staged reductions in production rights should shortage conditions develop. It also allows the adjudicated water rights to be leased or sold among the parties. The Judgment established a Technical Advisory Committee composed of the United Water Conservation District, the City of Ventura and the Association to assist the Superior Court of the State of California, Ventura County (the "Court"), with the technical aspects of Santa Paula Basin management. Finally, the Judgment reserves continuing jurisdiction to the Court to hear motions for enforcement or modification of the Judgment as necessary.

Our water resources include approximately 16,200 acre feet of water affiliated with our owned properties, of which approximately 8,600 acre feet are adjudicated. Additionally, we own shares in five not-for-profit mutual benefit water companies. Our investments in these water companies provide us with the right to receive a proportionate share of water from each of the water companies.

We believe water is a natural resource that is critical to economic growth in the western United States and firm, reliable water rights are essential to our sustainable business practices. Consequently, we have long been a private steward and advocate of prudent and efficient water management. We have made substantial investments in securing water and water rights in quantities that are sufficient to support and, we believe will exceed, our long-term business objectives. We strive to follow best management practices for the diversion, conveyance, distribution and use of water. In the future, we intend to continue to provide leadership in the area of, and seek innovation opportunities that promote, increased water use efficiency and the development of new sources of supply for our neighboring communities.

Item 3. Legal Proceedings

We are from time to time involved in legal proceedings arising in the normal course of business. Other than proceedings incidental to our business, we are not a party to, nor is any of our property the subject of, any material pending legal proceedings and no such proceedings are, to our knowledge, contemplated by governmental authorities.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

On May 27, 2010, we listed our common stock on NASDAQ. Prior to May 27, 2010, our common stock was traded on the Pink Sheets. Our common stock is currently quoted under the symbol “LMNR.” On April 7, 2010, we declared a ten-for-one stock split. All stockholders of record on March 24, 2010 received nine additional shares for each share. This did not change the proportionate interest that a stockholder maintained in the Company. All shares and per share amounts set forth in this report have been adjusted for the ten-for-one stock split. There is no assurance that our common stock will continue to be traded on NASDAQ or that any liquidity will exist for our stockholders.

Market Price

The following table shows the high and low per share price quotations of our common stock for the two most recently completed fiscal years as reported on NASDAQ.

	High	Low
NASDAQ		
2012		
Fourth Quarter Ended October 31, 2012	$23.28	$16.34
Third Quarter Ended July 31, 2012	$18.83	$14.17
Second Quarter Ended April 30, 2012	$19.45	$15.56
First Quarter Ended January 31, 2012	$18.00	$15.24
2011		
Fourth Quarter Ended October 31, 2011	$20.69	$14.00
Third Quarter Ended July 31, 2011	$23.60	$19.01
Second Quarter Ended April 30, 2011	$24.17	$19.37
First Quarter Ended January 31, 2011	$29.10	$19.86

Holders

On December 31, 2012, there were 300 registered holders of our common stock. The number of registered holders includes banks and brokers who act as nominees, each of whom may represent more than one stockholder.

Dividends

The following table presents cash dividends per common share declared and paid in the periods shown.

	Dividend
2012	
Fourth Quarter Ended October 31, 2012	$ 0.0375
Third Quarter Ended July 31, 2012	$ 0.0313
Second Quarter Ended April 30, 2012	$ 0.0313
First Quarter Ended January 31, 2012	$ 0.0313
2011	
Fourth Quarter Ended October 31, 2011	$ 0.0313
Third Quarter Ended July 31, 2011	$ 0.0313
Second Quarter Ended April 30, 2011	$ 0.0313
First Quarter Ended January 31, 2011	$ 0.0313

We expect to continue to pay quarterly dividends at a rate similar to the fourth quarter of 2012 to the extent permitted by the financial results of our business and other factors beyond management’s control.

Performance Graph

The line graph above compares the percentage change in cumulative total stockholder return of our common stock registered under section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) with (i) the cumulative total return of the Russell 2000 Index, assuming reinvestment of dividends, and (ii) the cumulative total return of Dow Jones U.S. Food Producers Index, assuming reinvestment of dividends. The comparison is presented since April 13, 2010, which is the effective date of our Company’s registration under the Exchange Act.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by Issuer and Affiliated Purchasers

None.

Item 6. Selected Financial Data

The following selected financial data are derived from our audited consolidated financial statements. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the financial statements and related notes included elsewhere in this Annual Report.

	Years Ended October 31,				
	2012	2011	2010	2009	2008
Total revenues	$65,828,000	$52,495,000	$54,284,000	$34,838,000	$53,512,000
Net income (loss)	$3,150,000	$1,598,000	$323,000	$(2,877,000)	$3,495,000
Basic and diluted net income (loss) per common share[(a)]	$0.26	$0.12	$0.01	$(0.28)	$0.29
Total assets	$172,622,000	$159,028,000	$159,438,000	$141,868,000	$140,990,000
Current and long-term debt	$89,635,000	$82,871,000	$85,938,000	$69,716,000	$65,582,000
Convertible preferred stock	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000
Cash dividends declared per share of common stock[(a)]	$0.13	$0.13	$0.13	$0.06	$0.33

(a) All per share amounts have been adjusted for the ten-for-one stock split effected on March 24, 2010.

As described in Note 3 to the consolidated financial statements, on November 15, 2009, we were assigned the 85% interest in Windfall Investors, LLC (“Windfall Investors”) that we did not previously own. The transaction was accounted for as a business combination assuming net liabilities of $1,742,000, comprised of $17,699,000 in primarily real estate development assets and $19,441,000 of current liabilities and debt.

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

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Financial Data" and our consolidated financial statements and notes thereto that appear elsewhere in this Annual Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, those presented under "Risk Factors" included in Item 1A and elsewhere in this Annual Report.

Overview

Limoneira Company was incorporated in Delaware in 1990 as the successor to several businesses with operations in California since 1893. We are an agribusiness and real estate development company founded and based in Santa Paula, California, committed to responsibly using and managing our approximately 8,246 acres of land, water resources and other assets to maximize long-term stockholder value. Our current operations consist of fruit production, sales and marketing, real estate development and capital investment activities.

We are one of California's oldest citrus growers. According to Sunkist, we are one of the largest growers of lemons in the United States and, according to the California Avocado Commission, one of the largest growers of avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of other specialty citrus and other crops. We have agricultural plantings throughout Ventura and Tulare Counties in California, which plantings consist of approximately 2,060 acres of lemons, 1,169 acres of avocados, 1,654 acres of oranges and 773 acres of specialty citrus and other crops. We also operate our own packinghouse in Santa Paula, California, where we process and pack lemons that we grow, as well as lemons grown by others.

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

For more than 100 years, we have been making strategic investments in California agribusiness and real estate development. We currently have five active real estate development projects in California. These projects include multi-family housing and single-family homes comprised of approximately 200 completed units and another approximately 2,000 units in various stages of development.

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

Recent Developments

Effective November 1, 2011, we amended the interest rate on one of the term loans we have with Farm Credit West to a fixed rate of 3.65% for three years. The interest rate for this loan had been 6.73% until October 31, 2011 and would have converted to a variable rate on November 1, 2011. The balance of the term loan is approximately $8.7 million at October 31, 2012 and it requires monthly principal and interest installments until October 2035.

On November 14, 2011, we amended certain terms of our Rabobank Credit Facility. The maturity date was extended to June 30, 2018 from June 30, 2013, and the borrowing capacity was increased to $100.0 million from $80.0 million, subject to underlying collateral value. The interest rate for the amended line of credit will be the London Interbank Offer Rate ("LIBOR") plus 1.80% beginning July 1, 2013 until the maturity date. Currently, the interest rate on the line of credit is LIBOR plus 1.50% and the principal balance is approximately $61.3 million at October 31, 2012.

Additionally, on November 14, 2011 we entered into a forward interest rate swap to manage the variable interest rate risk associated with the Rabobank Credit Facility. The forward interest rate swap establishes a fixed interest rate of 4.30% on $40.0 million of outstanding line of credit borrowings beginning July 1, 2013 until June 30, 2018. We currently have an interest rate swap which locks in the interest rate on $42.0 million of outstanding line of credit borrowings at 5.13% until June 30, 2013.

In January 2012, we entered into six operating leases for the Sheldon Ranch. Each of the leases is for a ten-year term and provides for four five-year renewal options with an aggregate base rent of approximately $500,000 per year. The leases also contain profit share arrangements with the landowners as additional rent on each of the properties and a provision for the potential purchase of the properties by us in the future. Due to the timing of the growing and harvesting seasons and as a result that the farming costs associated with the leased property were incurred by the lessor prior to lease commencement, we did not share in the citrus crop revenue in fiscal year 2012. Accordingly, the Sheldon Ranch incurred an operating loss of approximately $735,000 on revenues and expenses of $535,000 and $1,270,000, respectively, in fiscal year 2012. The Sheldon Ranch operations are expected to be profitable in fiscal year 2013.

In April 2012, we purchased land for use as a citrus orchard for a purchase price of $433,000 in cash. The acquisition was for 60 acres of agricultural property located in close proximity to our existing orchards in Porterville, California. This acquisition was accounted for as an asset purchase with substantially the entire purchase price allocated to land and included in property, plant and equipment on our consolidated balance sheets at October 31, 2012.

In July 2012, we purchased land for use as a citrus orchard for a purchase price of $803,000 in cash. The acquisition was for 65 acres of agricultural property located in close proximity to our existing orchards in Porterville, California.

This acquisition was accounted for as a business combination and we obtained a third-party valuation for the land, land improvements, equipment and orchards acquired.

In August 2012, we purchased land for use as a citrus orchard for a purchase price of $1,363,000 in cash. The acquisition was for 230 acres of agricultural property adjacent to the Sheldon Ranch. This acquisition was be accounted for as an asset purchase with substantially the entire purchase price allocated to land and included in property, plant and equipment on our consolidated balance sheets at October 31, 2012.

In August 2012, we entered into an agreement with Associated Citrus Packers of Yuma, Arizona to pack and market lemons. Associated Citrus Packers has historically packed approximately 850,000 cartons of lemons grown on nearly 2,000 acres. The commercial citrus harvesting and packing season in Southwestern Arizona typically begins in late August and is completed during the spring of the following year. We packed and sold 157,000 cartons of lemons under this agreement in fiscal year 2012.

In September 2012, we increased our dividend rate by 20% from $0.03125 to $0.03750 per common share. For the year ended October 31, 2012, we declared dividends to our common shareholders totaling $0.13125 per share in the aggregate amount of $1,470,000. On November 27, 2012, we declared a $0.0375 per share dividend which was paid on December 17, 2012 in the aggregate amount of $420,000 to common shareholders of record on December 10, 2012.

Results of Operations

The following table shows the results of operations for:

	Years Ended October 31,		
	2012	2011	2010
Revenues:			
Agribusiness	$61,553,000	$46,085,000	$47,034,000
Rental operations	4,023,000	3,948,000	3,976,000
Real estate development	252,000	2,462,000	3,274,000
Total revenues	65,828,000	52,495,000	54,284,000
Costs and expenses:			
Agribusiness	47,300,000	35,180,000	31,136,000
Rental operations	2,418,000	2,230,000	2,173,000
Real estate development	1,037,000	3,551,000	4,416,000
Impairments of real estate development assets	-	1,196,000	2,422,000
Selling, general and administrative	10,517,000	9,328,000	11,014,000
Total costs and expenses	61,272,000	51,485,000	51,161,000
Operating income (loss):			
Agribusiness	14,253,000	10,905,000	15,898,000
Rental operations	1,605,000	1,718,000	1,803,000
Real estate development	(785,000)	(2,285,000)	(3,564,000)
Selling, general and administrative	(10,517,000)	(9,328,000)	(11,014,000)
Operating income	4,556,000	1,010,000	3,123,000
Other income (expense):			
Interest expense	(508,000)	(1,260,000)	(1,632,000)
Interest income (expense) related to derivative instruments	739,000	537,000	(1,987,000)
Gain on sale of Rancho Refugio/Caldwell Ranch	-	1,351,000	-
Interest income	104,000	104,000	113,000
Other income, net	64,000	482,000	289,000
Total other income (expense)	399,000	1,214,000	(3,217,000)
Income tax (provision) benefit	(1,978,000)	(707,000)	72,000
Equity in earnings of investments	173,000	81,000	345,000
Net income	$3,150,000	$1,598,000	$323,000

Non-GAAP Financial Measures

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

	Years Ended October 31,		
	2012	2011	2010
Net income	$3,150,000	$1,598,000	$323,000
Total interest (income) expense, net	(335,000)	619,000	3,506,000
Income taxes	1,978,000	707,000	(72,000)
Depreciation and amortization	2,131,000	2,207,000	2,337,000
EBITDA	6,924,000	5,131,000	6,094,000
Impairments of real estate development assets	-	1,196,000	2,422,000
Adjusted EBITDA	$6,924,000	$6,327,000	$8,516,000

Fiscal Year 2012 Compared to Fiscal Year 2011

Revenues

Total revenue for fiscal year 2012 was $65.8 million compared to $52.5 million for fiscal year 2011. The 25% increase of $13.3 million was primarily the result of increased agribusiness revenues partially offset by decreased real estate development revenue, as detailed below:

	Agribusiness Revenues for the Years Ended October 31,			
	2012	2011	Change	
Lemons	$ 44,162,000	$ 31,243,000	$ 12,919,000	41 %
Avocados	9,546,000	7,539,000	2,007,000	27 %
Navel and Valencia oranges	4,066,000	3,789,000	277,000	7 %
Specialty citrus and other crops	3,779,000	3,514,000	265,000	8 %
Agribusiness revenues	$ 61,553,000	$ 46,085,000	$ 15,468,000	34 %

- Lemons: The increase in fiscal year 2012 was primarily the result of increased volume of fresh lemons sold at higher prices. During fiscal years 2012 and 2011, fresh lemon sales were $39.4 million and $27.8 million, respectively, on 2.4 million and 1.8 million cartons of lemons sold at average per carton prices of $16.42 and $15.44, respectively. The higher average per carton price in fiscal year 2012 compared to fiscal year 2011 was primarily due to more favorable overall market conditions. Additionally, lemon by-products and other lemon sales were $4.8 million in fiscal year 2012 compared to $3.4 million in fiscal year 2011.

- Avocados: The increase in fiscal year 2012 was primarily due to increased production partially offset by lower prices. The California avocado crop typically experiences alternating years of high and low production due to plant physiology. During fiscal years 2012 and 2011, 12.0 million and 4.3 million pounds of avocados were sold at average per pound prices of $0.79 and $1.60, respectively. Lower prices in fiscal year 2012 were due to an increased supply in the marketplace. Additionally, fiscal year 2012 revenue included a $0.1 million avocado crop insurance claim settlement compared to a $0.6 million avocado crop insurance claim settlement in fiscal year 2011.

- Navel and Valencia oranges: The increase in fiscal year 2012 was primarily due to increased sales prices for oranges. During fiscal years 2012 and 2011, orange sales were $4.1 million and $3.8 million, respectively, on 423,000 and 414,000 field boxes of oranges sold at average per field box prices of $9.69 and $9.18, respectively.

- Specialty citrus and other crops: The increase in fiscal year 2012 was primarily due to the Sheldon Ranch other crop revenues from peaches, plums and olives totaling $0.5 million in fiscal year 2012. There were no such revenues in fiscal year 2011. Partially offsetting these increases, we removed approximately 22 acres of cherries as part of our fiscal year 2012 orchard redevelopment plan, resulting in a $0.3 million decrease in other crop revenue. The 22 acres were replanted with lemons.

Rental operations revenue of $4.0 million in fiscal year 2012 was comparable to $3.9 million in fiscal year 2011.

Real estate development revenue was $0.3 million in fiscal year 2012 compared to $2.5 million in fiscal year 2011. Fiscal year 2011 revenue included the sale of a luxury home in Paradise Valley, Arizona (“Donna Circle”) at a sales price of $2.3 million. There were no real estate project sales in fiscal year 2012.

Costs and Expenses

Total costs and expenses for fiscal year 2012 were $61.3 million compared to $51.5 million for fiscal year 2011. This 19% increase of $9.8 million was primarily attributable to increases in our agribusiness costs and selling, general and administrative expenses of $12.1 million and $1.2 million, respectively, offset by decreases in real estate development expenses, including impairment charges, of $3.7 million. Costs associated with our agribusiness segment include packing costs, harvest costs, growing costs, costs related to the lemons we process and sell for third-party growers and depreciation expense. The significant variances are discussed below:

	Agribusiness Costs and Expenses for the Years Ended October 31,			
	2012	2011	Change	
Packing costs	$ 12,641,000	$ 10,412,000	$ 2,229,000	21 %
Harvest costs	6,603,000	5,673,000	930,000	16 %
Growing costs	11,895,000	10,525,000	1,370,000	13 %
Third-party grower costs	14,672,000	7,035,000	7,637,000	109 %
Depreciation	1,489,000	1,535,000	(46,000)	(3)%
Agribusiness costs and expenses	$ 47,300,000	$ 35,180,000	$ 12,120,000	34 %

- Packing costs: The increase in fiscal year 2012 primarily resulted from 0.6 million more cartons of fresh lemons packed and sold compared to fiscal year 2011.

- Harvest costs: The increase in fiscal year 2012 primarily resulted from 7.7 million more pounds of avocados harvested compared to fiscal year 2011. Additionally, we incurred $0.2 million of harvest expenses related to peaches, plums and olives at the Sheldon Ranch.

- Growing costs: Growing costs, also referred to as cultural costs, consist of orchard maintenance costs such as cultivation, fertilization and soil amendments, pest control, pruning and irrigation. The increase in fiscal year 2012 is primarily due to the addition of the Sheldon Ranch. During fiscal year 2012, we incurred net lease expenses of $0.5 million and $0.6 million of other growing costs related to the Sheldon Ranch. Additionally, in fiscal year 2012 we removed approximately 22 acres of cherries as part of our fiscal year 2012 orchard redevelopment plan, resulting in a charge of $0.2 million. The 22 acres were replanted with lemons.

- Third-party grower costs: We sell lemons that we grow and lemons that we procure from other growers. The cost of procuring lemons from other growers is referred to as third-party grower costs. The increase in fiscal year 2012 is primarily attributable to a higher percentage of third-party grower lemons relative to the total volume of cartons sold. Of the 2.4 million and 1.8 million cartons sold during fiscal years 2012 and 2011, respectively, 1.1 million (46%) and 0.6 million (33%) were procured from third-party growers at average per carton prices of $13.34 and $11.73, respectively.

Real estate development expenses consist of costs incurred for our various real estate projects, impairment charges and depreciation expense. Real estate development expenses for fiscal year 2012 were $1.0 million compared to $4.7 million for fiscal year 2011. This 78% decrease of $3.7 million was primarily attributable to the following:

- In fiscal year 2011, we incurred $2.3 million costs of sales associated with the sale of Donna Circle. There were no sales of real estate projects in fiscal year 2012.

- We incurred $1.2 million of impairment charges during fiscal year 2011 associated with our real estate projects. There were no impairment charges in fiscal year 2012.

Selling, general and administrative expenses for fiscal year 2012 were $10.5 million compared to $9.3 million for fiscal year 2011. This 13% increase of $1.2 million is primarily attributable to the following:

- Employee incentive expenses for fiscal year 2012 were $1.0 million compared to zero for fiscal year 2011.

- Fiscal year 2012 selling expenses were $1.1 million compared to $0.9 million in fiscal year 2011 primarily due to an increase of 0.6 million fresh lemon cartons sold in fiscal year 2012.

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Other Income (Expense)

Other income (expense) for fiscal year 2012 was $0.4 million of income compared to $1.2 million of income for fiscal year 2011. The $0.8 million decrease in income is primarily the result of:

- $1.4 million gain on the sale of Ranch Refugio/Caldwell Ranch in fiscal year 2011,
- $0.8 million decrease in interest expense in fiscal year 2012 primarily as a result of a larger amount of capitalized interest,
- $0.3 million of notes receivable written off in fiscal year 2012 and
- $0.2 million increase in fair value adjustments on one of our interest rate swaps in fiscal year 2012.

Income Taxes

We recorded an income tax provision of $2.0 million for fiscal year 2012 on pre-tax income of $5.1 million compared to an income tax provision of $0.7 million for fiscal year 2011 on pre-tax income of $2.3 million.

Our effective tax rate is 38.6% for fiscal year 2012 compared to an effective rate of 31.1% for fiscal year 2011. The primary reasons for this change in our effective tax rate were decreases in other permanent items offset by increases in the allowable domestic production deduction in fiscal year 2012 over the fiscal year 2011 amounts.

Fiscal Year 2011 Compared to Fiscal Year 2010

Revenues

Total revenue for fiscal year 2011 was $52.5 million compared to $54.3 million for fiscal year 2010. The 3% decrease of $1.8 million was primarily the result of decreased agribusiness and real estate development revenue, as detailed below:

	Agribusiness Revenues for the Years Ended October 31,			
	2011	2010	Change	
Lemons	$ 31,243,000	$ 28,195,000	$ 3,048,000	11 %
Avocados	7,539,000	11,483,000	(3,944,000)	(34)%
Navel and Valencia oranges	3,789,000	4,075,000	(286,000)	(7)%
Specialty citrus and other crops	3,514,000	3,281,000	233,000	7 %
Agribusiness revenues	$ 46,085,000	$ 47,034,000	$ (949,000)	(2)%

- Lemons: The increase in fiscal year 2011 was primarily the result of increased volume of fresh lemons sold and increased sales prices for lemon by-products. During fiscal years 2011 and 2010, fresh lemon sales were $27.8 million and $26.5 million, respectively, on 1.8 million and 1.4 million cartons of lemons sold at average per carton prices of $15.44 and $18.93, respectively. Additionally, during fiscal year 2011, $2.3 million of lemon by-products were sold at an average price per ton of $187 compared to $1.7 million sold at an average price per ton of $104 in fiscal year 2010.

- Avocados: The decrease in fiscal year 2011 was primarily due to decreased production partially offset by higher prices and a crop insurance settlement. The California avocado crop typically experiences alternating years of high and low production due to plant physiology. During fiscal years 2011 and 2010, 4.3 million and 17.7 million pounds of avocados were sold at an average price per pound of $1.60 and $0.65, respectively. Fiscal year 2011 revenue included a $0.6 million avocado crop insurance claim settlement.

- Navel and Valencia oranges: The decrease in fiscal year 2011 was primarily due to decreased sales prices for Navel oranges. During fiscal years 2011 and 2010, Navel orange sales were $2.9 million and $3.5 million, respectively, on 323,000 and 337,000 field boxes of Navel oranges sold at average per field box prices of $8.98 and $10.40, respectively. This decrease was partially offset by increased Valencia orange sales.

- Specialty citrus and other crops: The increase in fiscal year 2011 was primarily due to increased sales prices for Cara Cara oranges sold and increased volume of Moro blood oranges sold compared to fiscal year 2010. During fiscal years 2011 and 2010, Cara Cara orange sales were $1.0 million and $0.9 million, respectively on 63,000 and 59,000 field boxes of Cara Cara oranges sold at average per field box prices of $15.87 and $15.25, respectively. During fiscal years 2011 and 2010, Moro blood orange sales were $0.5 million and $0.4 million, respectively, on 27,000 and 18,000 field boxes of Moro blood oranges sold at average per field box prices of $18.51 and $22.22, respectively.

Real estate development revenue was $2.5 million in fiscal year 2011 compared to $3.3 million in fiscal year 2010. The decrease in fiscal year 2011 was primarily due to Donna Circle’s $2.3 million sales price in fiscal year 2011 compared to the sale of a luxury home in Paradise Valley, Arizona (“Cactus Wren”) for a sales price of $3.0 million in fiscal year 2010.

Costs and Expenses

Total costs and expenses for fiscal year 2011 were $51.5 million compared to $51.2 million for fiscal year 2010. This 1% increase of $0.3 million was primarily attributable to increases in our agribusiness costs of $4.1 million, offset by decreases in real estate development expenses, including impairment charges, and selling, general and administrative expenses of $2.1 million and $1.7 million, respectively. Costs associated with our agribusiness segment include packing costs, harvest costs, growing costs, costs related to the lemons we process and sell for third-party growers and depreciation expense. The significant variances are discussed below:

	Agribusiness Costs and Expenses for the Years Ended October 31,			
	2011	2010	Change	
Packing costs	$ 10,412,000	$ 7,596,000	$ 2,816,000	37 %
Harvest costs	5,673,000	6,514,000	(841,000)	(13)%
Growing costs	10,525,000	10,199,000	326,000	3 %
Third-party grower costs	7,035,000	5,194,000	1,841,000	35 %
Depreciation	1,535,000	1,633,000	(98,000)	(6)%
Agribusiness costs and expenses	$ 35,180,000	$ 31,136,000	$ 4,044,000	13 %

- Packing costs: The increase in fiscal year 2011 primarily resulted from 0.4 million more cartons of fresh lemons packed and sold compared to fiscal year 2010.

- Harvest costs: The decrease in fiscal year 2011 primarily resulted from 13.4 million less pounds of avocados harvested compared to fiscal year 2010.

- Third-party grower costs: We sell lemons that we grow and lemons that we procure from other growers. The cost of procuring lemons from other growers is referred to as third-party grower costs. The increase in fiscal year 2011 is primarily attributable to a higher percentage of third-party grower lemons relative to the total volume of cartons sold. Of the 1.8 million and 1.4 million cartons sold during fiscal years 2011 and 2010, respectively, 0.6 million (33%) and 0.4 million (29%) were procured from third-party growers at average per carton prices of $11.73 and $12.99, respectively.

Real estate development expenses consist of costs incurred for our various real estate projects, impairment charges and depreciation expense. Real estate development expenses for fiscal year 2011 were $4.7 million compared to $6.8 million for fiscal year 2010. This 31% decrease of $2.1 million was primarily attributable to the following:

- Cost of sales of $2.3 million in fiscal year 2011 associated with the sale of Donna Circle compared to cost of sales of $3.0 million during fiscal year 2010 associated with the sale of Cactus Wren.

- A $1.2 million decrease in the impairments of real estate development assets for fiscal year 2011 compared to fiscal year 2010. As the rate of decline in real estate values slowed, we incurred $1.2 million of impairment charges during fiscal year 2011 compared to $2.4 million for fiscal year 2010.

Selling, general and administrative expenses for fiscal year 2011 were $9.3 million compared to $11.0 million for fiscal year 2010. This 15% decrease of $1.7 million is primarily attributable to the following:

- In fiscal year 2010, we incurred legal and accounting expenses of $1.4 million associated with the filing of our Form 10 and other costs associated with the filing of quarterly reports on Form 10-Q and current reports on Form 8-K, as well as our compliance with other obligations of the Exchange Act and the listing of our common stock on NASDAQ. By comparison, such SEC compliance and related costs were $0.8 million in fiscal year 2011.

- In fiscal year 2010, we incurred a $1.3 million charge associated with the forgiveness of notes receivable from three of our senior executive officers. These notes were issued to the officers to allow them to pay the payroll taxes associated with compensation for shares issued to them under our stock grant performance bonus plan. During the first quarter of fiscal 2010, the outstanding balances of these loans were repaid by the officers by exchanging 6,756 of the shares issued to them valued at $150.98 per shares, which was the current market value on the date they were exchanged (and was prior to our 10-for-1 stock split) and loan forgiveness by us totaling $0.7 million. The loan forgiveness resulted in additional compensation to the officers and we paid, on their behalf, $0.6 million in payroll taxes associated with this compensation. There were no such charges in fiscal year 2011.

- Fiscal year 2011 stock based compensation expense of $0.8 million included second-year vesting associated with a stock grant to management for fiscal year 2010 performance. By comparison, fiscal year 2010 expense of $1.2 million included first-year vesting associated with a stock grant to management for fiscal year 2010 performance plus third-year vesting associated with a stock grant to management for fiscal year 2008 performance. Additionally, in fiscal year 2011, we did not incur any expense for bonus compensation, whereas in fiscal year 2010 we incurred $0.4 million of expense.

- The decreases noted above were partially offset by a $0.6 million increase in selling expense, which was $0.9 million in fiscal year 2011 compared to $0.3 million in fiscal year 2010, due to our decision to market and sell lemons directly to our customers beginning in fiscal year 2011. In years prior to fiscal 2011, when we operated under the Sunkist License Agreement, Sunkist provided certain sales and marketing service for which it charged a fee that was included in packing costs, which resulted in an expense of $0.8 million in fiscal year 2010.

- Additionally, the decreases noted above were partially offset by $0.3 million of additional labor and benefits due to an increase in salaries and personnel associated with being a publicly traded company and $0.1 million of net increases in other selling, general and administrative costs.

Other Income (Expense)

Other income (expense) for fiscal year 2011 was $1.2 million of income compared to $3.2 million of expense for fiscal year 2010. The $4.4 million increase in income is primarily the result of:

- $1.4 million gain on the sale of Ranch Refugio/Caldwell Ranch in fiscal year 2011,

- $0.4 million decrease in interest expense as a result of a larger amount of capitalized interest and lower average debt levels in fiscal year 2011 and

- $2.5 million of fair value adjustments on our interest rate swap in fiscal year 2011.

Income Taxes

We recorded an income tax provision of $0.7 million for fiscal year 2011 on pre-tax income of $2.3 million compared to an income tax benefit of $72,000 for fiscal year 2010 on pre-tax income of $0.3 million.

Our effective tax rate is 31.1% for fiscal year 2011 compared to an effective rate of 24.5% for fiscal year 2010. The primary reasons for this change in our effective tax rate were decreases in the allowable domestic production deduction and decreases in the change in unrecognized tax benefits in fiscal year 2011 over the fiscal year 2010 amounts.

Segment Results of Operations

We evaluate the performance of our agribusiness, rental operations and real estate development segments separately to monitor the different factors affecting financial results. Each segment is subject to review and evaluations related to current market conditions, market opportunities and available resources. The following table shows each segment's results of operations for:

	Years Ended October, 31					
	2012		2011		2010	
Revenues:						
Agribusiness	$61,553,000	93 %	$46,085,000	88 %	$47,034,000	87 %
Rental operations	4,023,000	6 %	3,948,000	7 %	3,976,000	7 %
Real estate development	252,000	1 %	2,462,000	5 %	3,274,000	6 %
Total revenues	65,828,000	100%	52,495,000	100%	54,284,000	100%
Costs and expenses:						
Agribusiness	47,300,000	77 %	35,180,000	68 %	31,136,000	61 %
Rental operations	2,418,000	4 %	2,230,000	5 %	2,173,000	4 %
Real estate development	1,037,000	2 %	4,747,000	9 %	6,838,000	13 %
Corporate and other	10,517,000	17 %	9,328,000	18 %	11,014,000	22 %
Total costs and expenses	61,272,000	100%	51,485,000	100%	51,161,000	100%
Operating income (loss):						
Agribusiness	14,253,000		10,905,000		15,898,000	
Rental operations	1,605,000		1,718,000		1,803,000	
Real estate development	(785,000)		(2,285,000)		(3,564,000)	
Corporate and other	(10,517,000)		(9,328,000)		(11,014,000)	
Total operating income	$4,556,000		$1,010,000		$3,123,000	

Fiscal Year 2012 Compared to Fiscal Year 2011

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

Agribusiness

For fiscal year 2012 our agribusiness segment revenue was $61.6 million compared to $46.1 million for fiscal year 2011. The 34% increase of $15.5 million primarily reflected higher lemon and avocado revenues for fiscal year 2012 compared to fiscal year 2011. The increase in agribusiness revenue primarily consists of the following:

- Lemon revenue for fiscal year 2012 was $12.9 million higher than fiscal year 2011.
- Avocado revenue for fiscal year 2012 was $2.0 million higher than fiscal year 2011.
- Navel and Valencia orange revenue in fiscal year 2012 was $0.3 million higher than in fiscal year 2011.
- Specialty citrus and other crop revenue for fiscal year 2012 was $0.3 million higher than fiscal year 2011.

Costs associated with our agribusiness segment include packing costs, harvest costs, growing costs, costs related to the lemons we process and sell for third-party growers, and depreciation expense. For fiscal year 2012, our agribusiness costs and expenses were $47.3 million compared to $35.2 million for fiscal year 2011. The 34% increase of $12.1 million primarily consists of the following:

- Packing costs for fiscal year 2012 were $2.2 million higher than fiscal year 2011.
- Harvest costs for fiscal year 2012 were $0.9 million higher than fiscal year 2011.
- Growing costs for fiscal year 2012 were $1.4 million higher than fiscal year 2011.
- Third-party grower costs for fiscal year 2012 were $7.6 million higher than fiscal year 2011.
- Depreciation expense was similar year to year.

Rental Operations

Our rental operations revenue for fiscal year 2012 was $4.0 million compared to $3.9 million in fiscal year 2011 resulting in an increase of $0.1 million. Revenues for all three areas of this segment (residential and commercial rentals, leased land and organic recycling) were similar year to year.

Expenses in our rental operations segment for fiscal year 2012 were $0.2 million higher than fiscal year 2011 due to increased repairs and maintenance costs for our residential rental facilities. Depreciation expense was similar year to year.

Real Estate Development

Our real estate development segment revenue for fiscal year 2012 was $2.2 million lower than fiscal year 2011.

Costs and expenses in our real estate development segment for fiscal year 2012 were $3.7 million lower than fiscal year 2011.

Corporate and Other

Corporate costs and expenses include selling, general and administrative expenses and other costs not allocated to the operating segments. Corporate and other costs for fiscal year 2012 were $1.2 million higher than fiscal year 2011. Depreciation expense was similar year to year.

Fiscal Year 2011 Compared to Fiscal Year 2010

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

Agribusiness

For fiscal year 2011 our agribusiness segment revenue was $46.1 million compared to $47.0 million for fiscal year 2010. The 2% decrease of $0.9 million primarily reflected higher lemon revenue offset by lower avocado revenue for fiscal year 2011 compared to fiscal year 2010. The decrease in agribusiness revenue primarily consists of the following:

· Lemon revenue for fiscal year 2011 was $3.1 million higher than fiscal year 2010.

· Avocado revenue for fiscal year 2011 was $3.9 million lower than fiscal year 2010.

· Navel and Valencia orange revenue in fiscal year 2011 was $0.3 million lower than in fiscal year 2010.

· Specialty citrus and other crop revenue for fiscal year 2011 was $0.2 million higher than fiscal year 2010.

Costs associated with our agribusiness segment include packing costs, harvest costs, growing costs, costs related to the lemons we process and sell for third-party growers, and depreciation expense. For fiscal year 2011, our agribusiness costs and expenses were $35.2 million compared to $31.1 million for fiscal year 2010. The 13% increase of $4.1 million primarily consists of the following:

· Packing costs for fiscal year 2011 were $2.8 million higher than fiscal year 2010.

· Harvest costs for fiscal year 2011 were $0.8 million lower than fiscal year 2010.

· Growing costs for fiscal year 2011 were $0.3 million higher than fiscal year 2010.

· Third-party grower costs for fiscal year 2011 were $1.9 million higher than fiscal year 2010.

· Depreciation expense for fiscal year 2011 was $0.1 million lower than in fiscal year 2010.

Rental Operations

Our rental operations revenue for fiscal year 2011 was $3.9 million compared to $4.0 million in fiscal year 2010 resulting in a decrease of $0.1 million. Revenues for all three areas of this segment (residential and commercial rentals, leased land and organic recycling) were similar year to year.

Expenses in our rental operations segment for fiscal year 2011 were $0.1 million higher than fiscal year 2010 due to increased repairs and maintenance costs for our residential rental facilities. Depreciation expense was similar year to year.

Real Estate Development

Our real estate development segment revenue for fiscal year 2011 was $0.8 million lower than fiscal year 2010.

Costs and expenses in our real estate development segment for fiscal year 2011 were $2.1 million lower than fiscal year 2010.

Corporate and Other

Corporate costs and expenses include selling, general and administrative expenses and other costs not allocated to the operating segments. Corporate and other costs for fiscal year 2011 were $1.7 million lower than fiscal year 2010. Depreciation expense was similar year to year.

Quarterly Results of Operations

The following table presents our operating results for each of the eight fiscal quarters in the period ended October 31, 2012. The information for each of these quarters is derived from our unaudited interim financial statements and should be read in conjunction with the audited consolidated financial statements included in this Annual Report. In our opinion, all necessary adjustments, which consist only of normal and recurring accruals, have been included to fairly present our unaudited quarterly results. As with any agribusiness enterprise, our agribusiness operations are highly seasonal in nature. The harvest and sale of our lemons, avocados, oranges and specialty citrus and other crops occurs in all quarters, but is generally more concentrated during the second and third quarters.

(in thousands, except per common share amounts)	Three Months Ended 2012			
Statement of Operations Data:	Oct. 31,	July 31,	Apr. 30,	Jan. 31,
Revenues	$14,795	$24,700	$16,096	$10,237