FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1997

OR

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

for the transition period from to

For Quarter Ended	Commission File Number
September 30, 1997	1-7183

TEJON RANCH CO.

(Exact name of Registrant as specified in its charter)

Delaware	77-0196136
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
P.O. Box 1000, Lebec, California	93243
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code.(805) 248-6774

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 X No

Total Shares of Common Stock issued and outstanding on September 30, 1997, were 12,685,994.

TEJON RANCH CO.

INDEX

PART I FINANCIAL INFORMATION

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	THREE MONTHS ENDED September 30		NINE MONTHS ENDED September 30	
	1997	1996	1997	1996
Revenues:				
Livestock	$ 10,022	$ 1,022	$ 16,491	$ 4,840
Farming	4,982	3,765	5,663	3,839
Oil & Minerals	403	353	1,061	972
Commercial and Land Use	377	372	1,171	1,044
Interest Income	364	312	1,036	959
	16,148	5,824	25,422	11,654
Cost and Expenses:				
Livestock	8,979	952	15,402	4,229
Farming	3,231	2,145	3,774	2,892
Oil & Minerals	139	43	254	126
Commercial and Land Use	513	430	1,690	1,498
General & Administrative Expense	736	646	1,969	1,708
Interest Expense	247	78	510	182
	13,845	4,294	23,599	10,635
Operating Income	2,303	1,530	1,823	1,019
Income Tax Expense	871	611	683	407
Net Income	$ 1,432	$ 919	$ 1,140	$ 612
Earnings Per Share	$ 0.11	$ 0.07	$ 0.09	$ 0.05
Cash Dividends Paid Per Share	---	---	$ 0.025	$ 0.025

See Notes to Consolidated Condensed Financial Statements.

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

	September 30, 1997 (Unaudited)	December 31, 1996*
>		
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	$ 62	$ 693
Marketable Securities	17,138	20,127

Accounts & Notes Receivable	13,112	4,303
Inventories:		
Cattle	4,027	3,082
Farming	1,993	191
Other	429	157
Prepaid Expenses & Other	1,496	1,319
Total Current Assets	38,257	29,872
PROPERTY & EQUIPMENT-NET	20,967	16,270
OTHER ASSETS	1,135	1,227
TOTAL ASSETS	$ 60,359	$ 47,369
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade Accounts Payable	$ 1,810	$ 488
Other Accrued Liabilities	347	569
Other Current Liabilities	12,530	4,129
Total Current Liabilities	14,687	5,186
LONG-TERM DEBT	4,300	1,800
DEFERRED CREDITS	2,730	2,651
Total Liabilities	21,717	9,637
STOCKHOLDERS' EQUITY		
Common Stock	6,341	6,341
Additional Paid-In Capital	387	387
Retained Earnings	32,075	31,253
Defined Benefit Plan-Funding Adjustment, net of taxes	(256)	(256)
Marketable Securities-Unrealized Gain, Net	95	7
Total Stockholders' Equity	38,642	37,732
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 60,359	$ 47,369

See Notes to Consolidated Condensed Financial Statements.

* The Balance Sheet at December 31, 1996 has been derived from the audited financial statements at that date.

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW
(In thousands)
(Unaudited)

	NINE MONTHS ENDED September 30 1997	1996
OPERATING ACTIVITIES		
Net Income	$ 1,140	$ 612
Items Not Affecting Cash:		
Depreciation and Amortization	1,022	889
Deferred Income Taxes	15	134
Gain on Sale of Investments	(4)	0
Changes in Operating Assets and Liabilities		
Receivables, Inventories and Other Assets, Net	(11,607)	(1,579)
Current Liabilities, Net	1,126	394
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(8,308)	450
INVESTING ACTIVITIES		
Acquisition of Champion Feeders	(3,874)	0
Maturities and Sales of Marketable Securities	5,336	6,767
Funds Invested in Marketable Securities	(2,192)	(6,703)
Property and Equipment Expenditures	(2,188)	(1,424)
Net Change in Breeding Herds	70	(81)
Other	(33)	(26)
NET CASH (USED IN) INVESTING ACTIVITIES	$ (2,881)	$ (1,467)

FINANCING ACTIVITIES		
Proceeds From Revolving Line of Credit	22,188	9,803
Payments of Revolving Line of Credit	(13,813)	(8,390)
Borrowing of Long-Term Debt	2,500	0
Cash Dividend Paid	(317)	(317)
NET CASH PROVIDED BY FINANCING ACTIVITIES	10,558	1,096
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(631)	79
Cash and Cash Equivalents at Beginning of Year	693	44
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 62	$ 123

See Notes to Consolidated Condensed Financial Statements.

TEJON RANCH CO. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

September 30, 1997

NOTE A - BASIS OF PRESENTATION

The summarized information furnished by Registrant pursuant to the instructions to Part I of Form 10-Q is unaudited and reflects all adjustments which are, in the opinion of Registrant's Management, necessary for a fair statement of the results for the interim period. All such adjustments are of a normal recurring nature.

The results of the period reported herein are not indicative of the results to be expected for the full year due to the seasonal nature of Registrant's agricultural activities. Historically, the largest percentage of revenues are recognized during the third and fourth quarters.

For further information, refer to the Consolidated Financial Statements and footnotes thereto included in Registrant's Annual Report on Form 10-K for the year ended December 31, 1996.

NOTE B - CALCULATIONS OF EARNINGS PER SHARE

Earnings per share is calculated using the weighted average number of common shares outstanding during the period. Common shares outstanding for the three month and nine month periods ended September 30, 1997 were 12,685,994 and for the three month and nine month periods ended September 30, 1996 were 12,682,244. Registrant has a Stock Option Plan providing for the granting of options to purchase a maximum of 230,000 shares of Registrant's Common Stock to employees, advisors and consultants of Registrant. At September 30,1997, options to purchase 172,178 shares are outstanding at prices equal to the fair market value at date of grant (152,178 shares at $16.00 per share, and 20,000 shares at $15.00 per share). Stock options granted will be treated as common stock equivalents in accordance with the treasury method when such amounts would be dilutive. Fully diluted common shares outstanding for the three month period ended September 30, 1997 and 1996 were 12,761,345 and 12,683,670 respectively. Fully diluted common shares outstanding for the nine month periods ended September 30, 1997 and 1996 were 12,714,286 and 12,684,042, respectively. There is no change in earnings per share based on the fully diluted common shares outstanding.

NOTE C - MARKETABLE SECURITIES

Registrant has elected to classify its securities as available-for-sale per Statement of Financial Accounting Standard No. 115, Accounting for Certain Investments in Debt and Equity Securities, and therefore is required to adjust securities to fair value at each reporting date.

Marketable securities consist of the following at:

	September 30	December 31

	1997 Estimated Fair		1996 Estimated Fair	
	Cost	Value	Cost	Value
Marketable securities: (in thousands)				
U.S. Treasury and agency notes	$ 9,780	$ 9,941	$ 13,156	$ 13,158
Corporate notes	7,199	7,197	6,960	6,969
	$ 16,979	$ 17,138	$ 20,116	$ 20,127

As of September 30, 1997, the cumulative fair value adjustment is a $159,000 unrealized gain. The cumulative fair value adjustment to stockholders' equity, net of a deferred tax of $64,000, is an unrealized gain of $95,000. Registrant's gross unrealized holding gains equal $268,000, while gross unrealized holding losses equal $109,000. On September 30, 1997, the average maturity of U.S. Treasury and agency securities was 1.2 years and corporate notes was 1.7 years. Currently, Registrant has no securities with a remaining term to maturity of greater than five years.

Market value equals quoted market price, if available. If a quoted market price is not available, market value is estimated using quoted market prices for similar securities. Registrant's investments in Corporate notes are with companies with a Standard & Poor's credit rating of A or better.

NOTE D - COMMODITY DERIVATIVES USED TO HEDGE PRICE FLUCTUATIONS

Registrant uses commodity contracts to hedge its exposure to price fluctuations on its purchased stocker cattle. The objective is to protect or create a future price for stocker cattle that will provide a profit or minimize a loss once the cattle are sold and all costs are deducted and to protect Registrant against market declines. To help achieve this objective Registrant uses the cattle futures and cattle options markets to hedge the price of cattle. Registrant also hedges to protect against fluctuations in feed cost by using the corn futures and options markets. Feed costs are hedged in order to protect against large pricing increases in feed costs. Registrant continually monitors any open futures and options contracts to determine the appropriate hedge based on market movement of the underlying asset. The option and futures contracts used typically expire on a quarterly or semi-annual basis and are structured to expire close to or during the month the stocker cattle are scheduled to be sold. The risk associated with hedging is that hedging imposes a limit on the potential profits from the sale of cattle if cattle prices begin to increase dramatically. The costs of buying and selling options and futures contracts reduce profits. Any payments received and paid related to options are deferred in and reflected as an asset on the balance sheet in prepaid expenses until contracts are closed or expire and were approximately $26,000 at September 30, 1997. There were 88 outstanding option contracts at September 30, 1997. Cattle futures contracts are carried off-balance sheet until the contracts are settled. There were no outstanding futures contracts at September 30, 1997.

The following table identifies the cattle options outstanding at September 30, 1997 (in thousands, except number of Contracts):

Cattle Hedging Activity Commodity Future/Option Description	No. Option	Option Expiration Date	Original Option (Bought) Sold	Estimated Fair Value At Settlement (Buy) Sell	Estimated Gain (Loss) at Settlement
Cattle Options- Calls Sold, 40,000 lbs. per contract	38	Oct. 97	$ 9	$ (1)	$ 8
Cattle	20	Feb. 98	$ 4	$ 2	$ 2

Options- Puts bought, 40,000 lbs. per contract	30	Apr. 98	$ 6	$ 5	$ 1

Estimated fair value at settlement is based upon quoted market prices at September 30, 1997.

NOTE E - ACQUISITION OF ASSETS

On March 10, 1997, Registrant completed the purchase of certain assets from Champion Feeders, Inc., a cattle feedlot company in western Texas. The assets purchased include land, a feed mill, cattle pins, office and shop buildings, all rolling stock, inventory and intangibles. No debt or material liabilities of Champion Feeders, Inc. were assumed in the purchase of these assets. The purchase price for these assets is $3.5 million plus inventory value of $358,000, as of February 28, 1997 and has been accounted for as a purchase. The purchase price of the assets was based upon a dollar value per head of capacity at the feedyard and the fair market value of assets purchased. The purchase price was allocated based on estimated fair value at date of acquisition. The excess of the purchase price over the fair market value of tangible assets acquired was immaterial.

The purchase of these assets allows the Company to begin to meet its long-term objective of becoming more vertically integrated within the beef industry. The assets purchased will allow Registrant to own and operate a cattle feedyard operation in western Texas.

The following unaudited pro forma information presents a summary of consolidated results of operations of Registrant as if the acquisition had occurred as of January 1, 1996.

	Nine Months Ended September 30 (In thousands except per share amounts)	
	1997	1996
Total Revenue	$ 28,125	$ 22,291
Net Operating Income	2,152	1,389
Net Income	1,392	831
Net Income Per Share	$ 0.11	$ 0.07

NOTE F - CONTINGENCIES

Registrant leases land to National Cement Company of California, Inc. ("National") for the purpose of manufacturing portland cement from limestone deposits on the leased acreage, National and Lafarge Corporation (the successor to the previous operator and referred to herein as "Lafarge") have been ordered to clean up and abate certain hazardous waste sites on the leased premises. On October 9, 1997, the Regional Water Quality Control Board voted to name National and Lafarge as primarily responsible parties in a cleanup and abatement order and to name National as the primarily responsible party in a cease and desist order and waste discharge requirements. Those orders require investigation and certain remedial activities related to the cement kiln dust piles on the premises but do not require the removal or disposal of the piles. Registrant has been named secondarily responsible on all existing orders and the Board voted to name Registrant secondarily responsible on the orders relating to the kiln dust piles, which means that Registrant could be ordered to perform the obligations of National or Lafarge under the orders if either of them should fail to do so. Under existing lease agreements either National or Lafarge is required to indemnify Registrant for costs and liabilities incurred in connection with the orders, depending on when the obligation arises. Due to the financial strength of National and its parent company, which guaranteed National's obligations, and the financial strength of Lafarge, Registrant believes that it is remote there will be a material effect on Registrant.

As an unrelated matter, Registrant has become aware that soils contaminated by gasoline, diesel fuel, and heavy metals are present on the premises leased from Registrant by Truckstops of America for a truck stop and gas station. Registrant has become actively engaged in the regulatory oversight activities of the Kern County Environmental Health Services Department, which has named Registrant as a secondarily responsible party with respect to the underground diesel storage tanks that have leaked, and of the Central Valley Regional Water Quality Control Board. Registrant has demanded the cleanup of the contaminated soils by the lessee. This demand has been made on the current tenant and on the guarantors of the lease, Standard Oil of Ohio and BP Oil & Exploration, Inc. Registrant has entered into settlement discussions with the foregoing parties, is currently working with them on a jointly approved investigation plan and is hopeful that this dispute can be resolved without resorting to litigation. Because of the financial strength of Standard Oil of Ohio and BP Oil & Exploration, Inc. Registrant believes it is remote that this matter will have a material effect on Registrant.

For a further discussion refer to Registrant's 1996 Form 10-K, Part I, Item 3, - "Legal Proceedings". There have been no changes since the filing of the 1996 Form 10-K.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

Results of Operations

This Management's discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements that are subject to many uncertainties and may turn out not to be accurate. These forward looking statements include those relating to future prices, yields, the timing of receipt of a payment for a pipeline easement, the effect of pending environmental proceedings, future development of Registrant's land and future cash needs. These statements are subject to factors beyond the control of Registrant (such as weather and market forces) and with respect to Registrant's future development of its land, the availability of financing and the ability to obtain various governmental entitlements. No assurance can be given that any such forward looking statements will turn out to be accurate.

Total revenues, including interest income, for the first nine months of 1997 were $25,422,000 compared to $11,654,000 for the first nine months of 1996. The growth in revenues during 1997 is primarily attributable to increases in livestock and farming operations revenues. The increase in livestock revenues is due primarily to the new cattle feedlot located near Hereford, Texas that was purchased on March 10, 1997. The revenues from the feedlot were approximately $9,492,000 for the seven months Registrant has owned the feedlot. Revenues at the feedlot are derived from the sale of grain and other types of feed rations to customers that are feeding cattle at the feedlot.

In addition to the revenues from the feedlot, cattle sales increased approximately $2,090,000 when compared to 1996 sales. The increase in cattle sales revenue is due to the sale of cattle at higher weights and prices than in 1996. This increase in sales revenues has been accomplished even though 2,014 fewer head of cattle have been sold thus far in 1997. The difference in the number of cattle sold in 1997 compared to 1996 is due to the timing of sales of cattle.

Registrant continues to hedge the future sales price of cattle using commodity contracts. See Note D - Commodity Contracts used to Hedge Price Fluctuations, for further information.

Farming revenues are higher due to the timing of the recording of 1997 crop revenues as well as the receipt of additional crop proceeds related to the 1996 harvest. The timing of the 1997 crop harvest resulted in an additional $1,162,000 of revenues when compared to the third quarter of 1996 and was due primarily to the completion of the 1997 almond harvest during the third quarter of 1997. During 1996 the almond harvest was not completed until the fourth quarter and no revenues were recorded until the fourth quarter. Farming revenues during 1997 have also increased due to the receipt of additional crop proceeds related to the 1996 grape, walnut, and pistachio crops ($437,000). The receipt of these proceeds results from increases in crop prices that were reflected in the final settlement payments received during 1997.

Operating activities during the first nine months of 1997 resulted in net income of $1,140,000, or $.09 per share, compared to net income of $612,000, or $.05 per share, for the same period in 1996. The increase in net income when compared to 1996 is due to the increase in revenues as described above which was partially offset by increased livestock, farming, general and administrative, and interest expenses. The increase in livestock expense is due to the operations of the new feedlot and to an increase in cost of sales of cattle sold. Expenses at the feedlot for the period from acquisition through September 30, 1997 were approximately $8,936,000. The increase in cost of sales on cattle of approximately $2,127,000, is due to maintaining ownership of cattle for a longer period of time than in 1996 and to additional costs in 1997 associated with feedlot charges.

Farming costs increased due to the timing of recording cultural and harvest expenses associated with the revenues recognized during the quarter and described above. General and administrative costs have increased when compared to 1996 due to higher staffing costs and professional service fees. Staffing costs increased in 1997 due to the timing of hiring a new chief executive officer in 1996. Interest expense has increased during 1997 due to financing costs associated with the purchase of the feedlot, working capital needs due to the delay in the sale of cattle during the year to the third and fourth quarters of 1997, and to credit lines at the feedlot which are used to meet short-term working capital needs.

Total revenues for the third quarter of 1997, including interest income, were $16,148,000 compared to $5,824,000 for the third quarter of 1996. The increase in third quarter revenues is due to additional revenue from the new feedlot, increased cattle sales during the quarter, and to the timing of farming revenues as described above.

During the third quarter of 1997 Registrant recognized net income of $1,432,000, or $.11 per share, compared to net income of $919,000, or $.07 per share for the same period in 1996. The increase in net income during the quarter is due to the growth of revenues as described above which was partially offset by increased livestock and farming expenses. Livestock expenses increased due to the feedlot operations and to higher cost of sales on cattle sold. Farming expenses increased due to the timing of completion of 1997 crop harvests.

Based on the 1997 harvest completed during October, it appears that the California almond crop will be approximately 680 million pounds based on preliminary estimates by the California Almond Board. Based on this estimate it appears that the price per pound expected to be received by Registrant for its almonds will be less than that received in 1996 by an estimated $.50 per pound. This lower price will reduce almond revenues when compared to 1996 almond revenues. The yields for all of Registrant's crops appear to be within expectations with the exception of the walnut crop which is coming in below expectations, but it appears that walnut prices may be higher due to statewide production estimates being less than the previous year.

Registrant has been advised that final approvals were received for the construction of a major crude oil pipeline through Registrant land. During December 1995 Registrant completed negotiations with respect to an easement agreement related to this pipeline. The pipeline company has informed Registrant that it expects to close the easement purchase transaction sometime during the fourth quarter of 1997, which must occur before the pipeline company may commence construction on Registrant land.

Registrant continues to be involved in various environmental proceedings related to leased acreage. For a further discussion refer to Note E - Contingencies.

Prices received by Registrant for many of its products are dependent upon prevailing market conditions and commodity prices. Therefore, Registrant is unable to accurately predict revenue, just as it cannot pass on any cost increases caused by general inflation, except to the extent reflected in market conditions and commodity prices. The operations of the Registrant are seasonal and results of operations cannot be predicted based on quarterly results.

Liquidity and Capital Resources

Registrant's cash, cash equivalents and short-term investments totaled approximately $17,200,000 at September 30, 1997, compared to $20,820,000 on December 31, 1996, a decrease of 17%. Working capital as of September 30, 1997 was $23,570,000 compared to $24,686,000 as of December 31,1996. Cash and short-term investments declined during 1997 due to increases in cattle and farming inventories because of the timing of sales and to the purchase of the cattle feedlot. Working capital uses during 1997 have been for property and equipment expenditures, the purchase of the cattle feedlot and dividend payments. The assets of the cattle feedlot were purchased on March 10, 1997 for $3,500,000 plus an additional $358,000 in beginning inventories. Registrant funded this purchase with cash and short-term lines of credit. During the second quarter Registrant refinanced the funding of the purchase of the feedlot with a $2.5 million term loan, with an interest rate of 8.50%, secured by feedlot assets and payable over 10 years. This debt is expected to be paid out of cash flows generated at the feedlot.

Registrant has a revolving line of credit of $6,000,000 that bears interest at 8.50% and, as of September 30, 1997, had an outstanding balance of $5,607,000. Registrant also has a short-term line of credit outstanding of $5,576,000 from an investment banking firm at an interest rate of 6.05%. Registrant's short-term borrowing needs increased during the quarter due to the timing of cattle sales, the timing of the purchase of stocker cattle, and the feedlot's financing of customer receivables. The lines of credit are expected to be paid down throughout the year from the proceeds of cattle and crop sales and collection of receivables. The revolving lines of credit are used as a short-term cash management tool.

The accurate forecasting of cash flows by Registrant is made difficult due to the fact that commodity markets set the prices for the majority of Registrant's products, the fact that the cost of water changes significantly from year-to-year as a result of changes in its availability, and the fact that adverse weather conditions can significantly affect farming and cattle operations.

Registrant has traditionally funded its growth and capital additions from internally generated funds. Management believes that the combination of net earnings, short-term investments and borrowing capacity will be sufficient for its near term operations.

Registrant is currently evaluating the possibility of new farming developments, expansion of the cattle herd, and commercial development along the Interstate 5 corridor. These potential new projects would be funded from current cash resources and from additional borrowings.

Item 8. Financial Statements and Supplementary Data.

The response to this Item is submitted in a separate section of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Impact of Accounting Change

None

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults upon Senior Securities

Not Applicable

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

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports

(a) Exhibits -

27 Financial Data Schedule (Edgar)

(b) Reports - None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEJON RANCH CO.
(Registrant)

November 6, 1997 BY /s/ Allen E. Lyda
Date Allen E. Lyda
Vice President, Finance
& Treasurer

EXHIBIT INDEX

Exhibit No.	Exhibit Description
27	Financial Data Schedule (Edgar)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
BALANCE SHEET, INCOME STATEMENT, AND FOOTNOTES AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

9-MOS
DEC-31-1997
SEP-30-1997
62
17138
13112
0
6449
38257
36451
(15489)
60359
14687
0
0
0
6341
32301
60359
25422
25422
21630
21630
1969
0
510
1823
683
1140
0
0
0
1140
.09
.09