

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 June 30, 1996  
-----

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
June 30, 1996	1-7183

TEJON RANCH CO.  
(Exact name of Registrant as specified in its charter)

Delaware	77-0196136
----------	------------

-----  
(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

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  No   
-----

Total Shares of Common Stock issued and outstanding on June 30, 1996, were 12,682,244.

- 1 -

PART I FINANCIAL INFORMATION

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	June 30		June 30	
	1996	1995	1996	1995
	----	----	----	----
Revenues:				
Livestock	\$ 3,269	\$ 683	\$ 3,818	\$ 1,043
Farming	50	49	74	171
Oil and Minerals	338	319	619	582
Commercial and Land Use	336	399	672	693
Interest Income	319	342	647	712
	-----	-----	-----	-----
	4,312	1,792	5,830	3,201
Costs and Expenses:				
Livestock	2,580	775	3,277	1,435
Farming	369	323	747	1,125
Oil and Minerals	40	41	83	52
Commercial and Land Use	588	666	1,068	1,050
Corporate Expense	586	566	1,062	1,141
Interest Expense	54	103	104	182

	-----	-----	-----	-----
	4,217	2,474	6,341	4,985
	-----	-----	-----	-----
Operating Income(Loss)	95	(682)	(511)	(1,784)
	-----	-----	-----	-----
Income Tax Expense(Benefit)	38	(273)	(204)	(714)
	-----	-----	-----	-----
Net Income(Loss)	\$ 57	\$ (409)	\$ (307)	\$ (1,070)
	=====	=====	=====	=====
Earnings Per Share	\$ .00	\$ (.03)	\$ (.02)	\$ (.08)
Cash Dividends Paid				
Per Share	\$ .025	\$ .025	\$ .025	\$ .025

See Notes to Consolidated Condensed Financial Statements.

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

	JUNE 30, 1996 (Unaudited)	DECEMBER 31, 1995*
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 102	\$ 44
Short-term Investments	20,139	20,257
Accounts & Notes Receivable	1,155	4,487
Inventories:		
Cattle	1,682	2,672
Farming	2,237	--
Other	111	155
Prepaid Expenses and Other	830	1,063
Total Current Assets	26,256	28,678
PROPERTY AND EQUIPMENT-NET	15,516	15,073
OTHER ASSETS	1,471	1,452
<b>TOTAL ASSETS</b>	<b>\$ 43,243</b>	<b>\$ 45,203</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Trade Accounts Payable	\$ 585	\$ 932
Other Accrued Liabilities	325	343
Other Current Liabilities	1,651	2,619
Total Current Liabilities	2,561	3,894
LONG-TERM DEBT	1,800	1,800
DEFERRED CREDITS	2,619	2,540
Total Liabilities	6,980	8,234
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock	6,341	6,341
Additional Paid-In Capital	387	387
Retained Earnings	29,578	30,202
Marketable Securities -		
Unrealized Gains (Losses), Net	(43)	39
Total Stockholders' Equity	36,263	36,969
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 43,243</b>	<b>\$ 45,203</b>

See Notes to Consolidated Condensed Financial Statements.

\* The Balance Sheet at December 31, 1995 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)

	SIX MONTHS ENDED June 30	
	1996	1995
<b>OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ (307)	\$ (1,070)
Items Not Effecting Cash:		
Depreciation and Amortization	541	495
Deferred Income Taxes	134	(89)
Gain on Sale of Investments	-0-	2
Changes in Operating Assets and Liabilities:		
Receivables, Inventories and		

Other Assets, Net	2,362	(2,153)
Current Liabilities, Net	(846)	(2,216)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,884	(5,031)
INVESTING ACTIVITIES		
Maturities and Sales of Marketable Securities	5,484	4,788
Funds Invested in Marketable Securities	(5,503)	(2,022)
Property and Equipment Expenditures	(947)	(1,913)
Net Change in Breeding Herds	(60)	3
Other	3	(51)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(1,023)	805
FINANCING ACTIVITIES		
Proceeds From Revolving Line of Credit	6,698	6,710
Payments on Revolving Line of Credit	(7,184)	(1,855)
Decrease in Long-Term Debt	-0-	(200)
Cash Dividend Paid	(317)	(317)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(803)	4,338
INCREASE IN CASH AND CASH EQUIVALENTS	58	112
Cash and Cash Equivalents at Beginning of Year	44	68
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 102	\$ 180

See Notes to Consolidated Condensed Financial Statements.

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

June 30, 1996

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, 1995.

NOTE B - CALCULATIONS OF EARNINGS PER SHARE  
-----

Earnings per share are calculated using the weighted average number of common shares outstanding during the period. Common shares outstanding for the three month and six month periods ended June 30, 1996 and 1995 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. Currently, options to purchase 179,000 shares are outstanding at prices equal to the fair market value at date of grant (100,000 shares at \$17.875 per share, 59,000 shares at \$20.00 per share, and 20,000 shares at \$15.00 per share). During the first quarter of 1996, an option to purchase 14,000 shares was cancelled. 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 June 30, 1996 and 1995 were 12,685,361 and 12,683,844 respectively. Fully diluted common shares outstanding for the six month period ended June 30, 1996 and 1995 were 12,684,228 and 12,683,303, 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 the carrying value of securities to fair value at each reporting date.

Marketable securities consist of the following at:

	June 30 1996		December 31 1995	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Marketable securities: (in thousands)				
U.S. Treasury and agency notes	\$13,807	\$13,752	\$14,868	\$14,869
Corporate notes	6,402	6,387	5,323	5,388
	-----	-----	-----	-----
	\$20,209	\$20,139	\$20,191	\$20,257

As of June 30, 1996, the cumulative fair value adjustment is a \$70,000 unrealized loss. The cumulative fair value adjustment to stockholders' equity, net of deferred tax of \$27,000, is an unrealized loss of \$43,000. Registrant's gross unrealized holding gains equals \$147,000, while gross unrealized holding losses equals \$217,000. On June 30, 1996, 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 weighted average life 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 credit rating of A or better.

NOTE D - COMMODITY CONTRACTS USED TO HEDGE PRICE FLUCTUATIONS

Registrant uses commodity contracts to hedge its exposure to price fluctuations on its purchased stocker cattle and cattle feed costs. 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. Registrant continually monitors any open futures and options contracts to determine the appropriate hedge based on market movement of the underlying asset, stocker cattle. 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 contracts are deferred in and

reflected as an asset on the balance sheet in prepaid expenses until contracts are closed or expire. There were no outstanding option contracts at June 30, 1996. Cattle futures contracts are carried off-balance sheet until the contracts are settled. Realized gains, losses, and costs associated with closed contracts equal to \$587,000 of net gain is currently included in cost of sales expense due to the sale of hedged cattle.

The following table identifies the cattle futures contract amounts outstanding at June 30, 1996 (in thousands, except No. of Contracts):

Cattle Hedging			Original	Estimated	
Activity		Contract	Contract	Fair Value	Estimated
Commodity	No.	Expiration	(Bought)	At	Gain
Future/Option	Contracts	Date	Sold	Settlement	(Loss) at
Description				(Buy) Sell	Settlement
-----					
Cattle futures					
sold 50,000					
lbs. per					
contract	10	Jan. 97	\$ 302	\$ (314)	\$(12)
Cattle futures					
sold 50,000					
lbs. per					
contract	15	Apr. 97	466	(473)	(7)

Estimated fair value at settlement is based upon quoted market prices at June 30, 1996.

NOTE E - CONTINGENCIES

-----  
 Registrant leases land to National Cement Company of California, Inc. ("National") for the purpose of manufacturing portland cement from limestone deposits found on the leased acreage. National, LaFarge Corporation (the parent company of the previous operator) and Registrant have been ordered to clean up and abate old industrial waste landfill sites and other contamination of land and groundwater on the leased premises. Under existing lease agreements, either National or LaFarge is required to indemnify Registrant for costs and liabilities incurred in connection with the cleanup order depending upon when they arise. Due to the financial strength of National and LaFarge, Registrant believes that it is remote there will be a material effect on the Company.

MANAGEMENT'S ANALYSIS OF FINANCIAL STATEMENTS

-----  
Results of Operations  
-----

Total revenues, including interest income, for the first six months of 1996 were \$5,830,000 compared to \$3,201,000 for the first six months of 1995. The increase in revenues during 1996 is primarily attributable to increased livestock revenue that was partially offset by reduced farming revenues and lower interest income. Livestock revenues increased when compared to 1995 due to 7,246 head of cattle being sold during 1996 compared to 1,271 head of cattle during the same period in 1995. This large variation in the number of cattle sold is due to the decision during the second quarter of 1995 to delay the sale of stocker cattle until the fall of 1995 due to low market prices. Registrant continues to hedge the future sales price of stocker cattle using commodity contracts. See Note D - Commodity Contracts Used to Hedge Price Fluctuations, for further information. Farming revenues have declined due to reduced farm management fees because of the completion of the sale of farmland by Laval Farms Limited Partnership, a limited partnership whose farming operations were managed by Registrant. Interest income declined primarily due to fewer funds being available for investment.

Operating activities during the first six months of 1996 resulted in a net loss of \$307,000, or \$.02 per share, compared to a net loss of \$1,070,000, or \$.08 per share, for the same period in 1995. The decrease in the net loss when compared to 1995 is due to improved revenues as described above, and a reduction in farming and general and administrative expenses. These favorable variances were partially offset by an increase in livestock cost of sales. The decrease in farming expenses when compared to the same period of 1995 was due to the \$400,000 (\$240,000, or \$.02 per share, after tax) charge to earnings in 1995 due to almond trees being destroyed in a winter storm. For further information related to the destroyed almond trees please refer to Registrant's 1995 Form 10-K. General and administrative expenses have declined due to a reduction in staffing costs related to the timing of hiring a new chief executive officer. The increase in livestock cost of sales is related to the higher number of cattle sold during 1996 as compared to 1995.

Total revenues for the second quarter, including interest income, were \$4,312,000 compared to \$1,792,000 for the second quarter of 1995. The increase in second quarter revenues is due to the timing of cattle sales as described above.

During the second quarter of 1996 Registrant had net income of \$58,000, or \$.00 per share, compared to a loss of \$409,000, or \$.03 per share, for the same period of 1995. The improvement in net income compared to 1995 is due to increased revenues as described above. These revenues were partially offset by higher cost of sales within the livestock division. Livestock cost of sales are higher due to more cattle being sold during the second quarter of 1996.



Registrant continues to be concerned that cattle prices will stay at lower levels due to high cattle inventories and high grain prices. Registrant does not expect an improved cattle market during the balance of 1996.

Based on industry estimates it appears that the California almond crop will be approximately 520 million pounds. Based on this estimate and low inventory levels due to the small 1995 almond crop, the price per pound for almonds could again be over \$2.00 as it was in 1995. Harvest for Registrant's crops will begin during August. All of Registrant's crops appear to be doing very well with the exception of certain grape varieties, which may be slightly below expectations. Actual production numbers will not be known until harvest is completed. Although Registrant and others find it necessary from time to time to make the statements above as to projections of future yields and prices, such projections are subject to many uncertainties, by necessity are made on the basis of only limited information and are subject to factors beyond the control of Registrant, such as weather and market forces. No assurance can be given any such projections will turn out to be accurate.

Registrant is involved in various environmental proceedings related to leased acreage. For a further discussion refer to Registrant's 1995 Form 10-K, Part I, Item 3, - "Legal Proceedings". There have been no changes since the filing of the 1995 Form 10-K.

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

Cash and marketable securities on June 30, 1996 were \$20.2 million compared to \$20.3 million on December 31, 1995. Working capital on June 30, 1996 was \$23.7 million compared to \$24.8 million on December 31, 1995. The decrease in working capital at June 30, 1996 as compared to December 31, 1995 is primarily due to property and equipment expenditures and the payment of dividends.

Cash provided from operations and cash and short-term investments on hand are expected to be sufficient to satisfy all anticipated working capital and capital expenditure needs in the near term.

#### 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  
-----

None

Item 6.                   Exhibits and Reports on Form 8-K  
-----

- (a) Exhibits - None
- (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)

-----  
Date

BY \_\_\_\_\_  
Allen E. Lyda  
Vice President, Finance  
& Treasurer



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.

6-MOS		
	DEC-31-1996	
	JUN-30-1996	102
	20,139	
	1,155	
	0	
	4,030	
	26,256	29,581
	(14,065)	
	43,243	
	2,561	0
	0	0
	0	6,341
	29,922	
43,243		5,830
	5,830	5,175
	5,175	
	1,062	
	0	
	104	
	(511)	
	(204)	
(307)	0	
	0	
		0
	(307)	
	(.02)	
	(.02)	