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, 2001

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, 2001	1-718

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 (661) 248-3000

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 June 30, 2001, were 14,318,183.

TEJON RANCH CO.

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PART I - FINANCIAL INFORMATION

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
Revenues:	2001	2000	2001	2000
Farming	$ 259	$ 235	$ 316	$ 405
Real Estate	2,894	1,998	4,385	3,310
Interest Income	510	154	983	312
	3,663	2,387	5,684	4,027
Cost and Expenses:				
Farming	694	612	1,373	1,039
Real Estate	1,748	1,429	3,449	2,976
Corporate Expense	830	749	1,778	1,509
Interest Expense	21	399	130	561
	3,293	3,189	6,730	6,085
Operating Income (Loss) Before Minority Interest	370	(802)	(1,046)	(2,058)
Minority Interest	6	-	(97)	-
Operating Income (Loss) Before Income Tax Expense (Benefit)	364	(802)	(949)	(2,058)
Income Tax Expense (Benefit)	138	(305)	(361)	(782)
Income (Loss) from Operations	226	(497)	(588)	(1,276)
Income from Discontinued Operations, Net of Applicable Income Taxes	690	282	706	490
Net Income (Loss)	$ 916	$ (215)	$ 118	$ (786)
Income (Loss) From Operations Per Share, Basic	$ 0.02	$ (0.04)	$ (0.04)	$ (0.10)
Income From Discontinued Operations Per Share, Basic	$ 0.04	$ 0.02	$ 0.05	$ 0.04
Income (Loss) Per Share, Basic	$ 0.06	$ (0.02)	$ 0.01	$ (0.06)
Income (Loss) From Operations Per Share, Diluted	$ 0.02	$ (0.04)	$ (0.04)	$ (0.10)
Income From Discontinued Operations Per Share, Diluted	$ 0.04	$ 0.02	$ 0.05	$ 0.04
Income (Loss) Per Share, Diluted	$ 0.06	$ (0.02)	$ 0.01	$ (0.06)

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

	June 30, 2001 (Unaudited)	December 31, 2000*
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 31,041	$ 2,286
Marketable Securities	11,845	11,055
Accounts & Notes Receivable	3,828	4,542
Inventories:		
Farming	3,280	739
Other	113	361
Assets of Discontinued Operations	29,781	31,489
Prepaid Expenses and Other	738	1,106
Total Current Assets	80,626	51,578
PROPERTY AND EQUIPMENT - NET	52,628	46,526
OTHER ASSETS	1,155	183
TOTAL ASSETS	$ 134,409	$ 98,287
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade Accounts Payable	$ 2,552	$ 1,969
Other Acrued Liabilities	-	1,150
Short-Term Borrowings	10,613	2,810
Other Current Liabilities	456	435
Borrowings of Discontinued Operations	19,782	21,893
Current Liabilities of Discontinued Operations	928	3,446
Total Current Liabilities	34,331	31,703
LONG TERM DEBT	21,102	19,323
OTHER LIABILITIES	1,484	-
DEFERRED INCOME TAXES	4,201	4,287
Total Liabilities	61,118	55,313
MINORITY INTEREST IN EQUITY OF CONSOLIDATED JOINT VENTURE	389	485
STOCKHOLDERS' EQUITY		
Common Stock	7,159	6,356
Additional Paid-In Capital	30,157	683
Retained Earnings	36,274	36,156
Deferred Compensation	-	(43)
Accumulated Other Comprehensive Income	(688)	(663)
Total Stockholders' Equity	72,902	42,489
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 134,409	$ 98,287

See Notes to Consolidated Financial Statements.

* The Consolidated Condensed Balance Sheet at December 31, 2000 has been derived from the audited financial statements at the date and reclassified for comparison purposes. The Consolidated Condensed Balance Sheet was reclassified to retroactively show the impact of discontinued operations.

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW

(In Thousands)
(Unaudited)

	Six Months Ended June 30 2001	Six Months Ended June 30 2000
OPERATING ACTIVITIES		
Net Income (Loss)	$ 118	$ (786)
Items Not Affecting Cash:		
Depreciation and Amortization	1,577	1,227
Deferred Income Taxes	(84)	337
Minority Interest In Loss of Consolidated Joint Venture	(97)	-
Equity in Net Loss from Unconsolidated Joint Venture	105	131
Changes in Operating Assets and Liabilities:		
Receivables, Inventories and other Assets, Net	(1,482)	(5,070)
Current Liabilities, Net	(546)	(2,028)
NET CASH USED IN OPERATING ACTIVITIES	(409)	(6,189)
INVESTING ACTIVITIES		
Maturities and Sales of Marketable Securities	2,872	1,599
Funds Invested in Marketale Securities	(3,287)	(2,012)
Property and Equipment Expenditures	(7,659)	(6,037)
Investment in Unconsolidated Joint Venture	-	(1,606)
Change in Breeding Herds	11	(136)
Cash Contribution from Investor in Consolidated Joint Venture	-	300
Other	289	-
NET CASH USED IN INVESTING ACTIVITIES	$ (7,774)	$ (7,892)
FINANCING ACTIVITIES		
Proceeds from Revolving Line of Credit	11,311	30,015
Payments of Revolving Line of Credit	(3,508)	(26,208)
Proceeds from Long-Term Debt	1,845	4,181
Payments of Long-Term Debt	(66)	(1,875)
Bond Reimbusement from Community Facilities District	-	8,065
Proceeds from Issuance of Common Stock	29,845	-
Exercise of Stock Options	432	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	39,859	14,178
NET CHANGE IN DISCONTINUED OPERATIONS	(2,921)	-
INCREASE IN CASH AND CASH EQUIVALENTS	28,755	97
CASH AND CASH EQUIVALENTS AT BEGINNING OF YR	2,286	423
CASH AND CASH EQUIVALENTS AT END OF PERIOD	31,041	520

See Notes to Consolidated Condensed Financial Statements.

CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY

($'s in thousands except shares outstanding

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Deferred Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at January 1, 2000	12,697,179	$ 6,349	$ 379	$ -	$ (269)	$ 36,701	$ 43,160
Net Loss		-	-	-		(545)	(545)
Defined Benefit Plan Funding Adjustments, Net of Taxes of $234,000		-	-	-	(350)	-	(350)
Changes in Unrealized Gains on Available-For-Sale Securities, Net of Taxes of $106,000		-	-	-	160	-	160
Interest Rate Swap Adjustment		-	-	-	(204)	-	(204)
Comprehensive Loss							(939)
Restricted Stock Issuance	9,057	4	211	(215)	-	-	-
Exercise of Stock Options	6,000	3	93	-	-	-	96
Amortization of Deferred Compensation	0	-	-	172	-	-	172
Balance at December 31, 2000	12,712,236	6,356	683	(43)	(663)	36,156	42,489
Net Income	-	-	-	-	-	118	118
Changes in Unrealized Gains on Available-For-Sale Securities, Net of Taxes of $128,000	-	-	-	-	247	-	247
Interest Rate Swap Adjustment	-	-	-	-	(272)	-	(272)
Comprehensive Income	-	-	-	-	-	-	93
Amortization of Deferred Compensation	-	-	-	43	-	-	- 43
Exercise of Stock Options	27,000	14	418	-	-	-	432
Common Stock Issuance, Rights Offering	1,578,947	789	29,056	-	-	-	- 29,845
Balance at June 30, 2001	14,318,183	$ 7,159	$ 30,157	$ -	$ (688)	$ 36,274	$ 72,902

June 30, 2001

NOTE A - BASIS OF PRESENTATION

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

Certain amounts in the 2000 quarterly financial statements have been reclassified to conform to the current year presentation.

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 the Company's agricultural activities. Historically, the largest percentages of revenues are recognized during the third and fourth quarters.

For further information, refer to the Consolidated Financial Statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

NOTE B - NET INCOME PER SHARE

Basic net income per share is based upon the weighted average number of shares of common stock outstanding during the year, which for the three months ended June 30, 2001 was 14,303,490 and for the six months ended June 30, 2001 was 14,156,986. For the three months and six months ending June 30, 2000 the average number of shares of common stock outstanding was 12,706,236. Diluted net income per share is based upon the weighted average number of shares of common stock outstanding and the weighted average number of shares outstanding assuming the issuance of common stock for stock options using the treasury stock method (14,475,293 for the three months ended June 30, 2001 and 14,275,206 for the six months ended June 30, 2001). The weighted average shares subject to dilutive stock options were 171,803 for the three months ended June 30, 2001 and 118,220 for the six months ended June 30, 2001. For both the second quarter and the first six months of 2000, diluted net income per share is based on the weighted average number of shares of common stock outstanding because the impact of stock options is antidilutive.

NOTE C - MARKETABLE SECURITIES

SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", requires that an enterprise classify all debt securities as either held-to-maturity, trading, or available-for-sale. The Company has elected to classify its securities as available-for-sale and therefore is required to adjust securities to fair value at each reporting date.

The following is a summary of available-for-sale securities at June 30, 2001 and December 31, 2000:

	June 30, 2001		December 31, 2000	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Marketable Securities:				
(in thousands)				
U.S. Treasury and agency notes	$ 5,842	$ 5,960	$ 5,987	$ 5,258
Corporate notes and Commercial paper	5,812	5,885	5,252	5,797
	$11,654	$11,845	$11,239	$11,055

As of June 30, 2001, the adjustment to accumulated other comprehensive income in consolidated stockholders' equity is an unrealized gain on available-for-sale securities of $247,000, which is net of a tax expense of $128,000. This adjustment reflects the improvement in the fair value of investments when compared to December 31, 2001. As of June 30, 2001, the Company's gross unrealized holding gains equal $235,000 and gross unrealized holding losses equal $44,000. On June 30, 2001, the average maturity of U.S. Treasury and agency securities was 2.6 years and corporate notes was 2.5 years. Currently, the Company 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. The Company'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

The Company uses commodity derivatives to manage risk on its purchased stocker cattle and its cattle feed costs. The objective is to protect or create a future price for stocker cattle that will protect a profit or minimize a loss once the cattle are sold and all costs are deducted and to protect us against a significant cattle market decline or feed cost increase. These costs and risks of ownership are now included in discontinued operations and we expect to complete the sale of livestock operations during the first few months of 2000. To help achieve this objective we use both the futures commodity markets and options commodity markets. A futures contract is an obligation to make or take delivery at a specific future time of a specifically defined, standardized unit of a commodity at a price determined when the contract is executed. Options are contracts that give their owners the right, but not the obligation, to buy or sell a specified item at a set price on or before a specified date. We continually monitor any open futures and options contracts on a daily basis in accordance with formal policies to determine the appropriate hedge based on market movement of the underlying asset. The options 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 and feed are scheduled to be sold or purchased. The risk associated with this strategy for us is that it limits or caps the potential profits if cattle prices begin to increase or can add additional costs for feed if grain prices fall.

Realized gains, losses, and costs associated with both open and closed contracts are recognized in discontinued operations sales expense. During the six months ended, June 30, 2001 there were $723,000 of losses associated with futures and option contracts included in cost of sales.

The following table identifies the cattle futures contract amounts outstanding at June 30, 2001 (in thousands, except number of contracts):

Cattle Future / Option Description	No. Contracts	Original Contract/Cost (Bought) Sold	Estimated Fair Value (Bought) Sold
Corn futures bought, 50,000 lbs. per contract	20	$(207)	$ 200
Cattle futures sold, 40,000 lbs. per contract	20	602	(589)
Cattle options bought, 40,000 lbs. per contract	109	(56)	16
Cattle options sold, 40,000 lbs. per contract	80	16	(14)

The June 30, 2001 futures contracts and options expire between August 2001 and October 2001. Estimated fair value at settlement is based upon quoted market prices at June 30, 2001.

NOTE E - CONTINGENCIES

Effective June 30, 2001, the Company was guaranteeing the repayment of $3.8 million of debt of the Petro Travel Plaza L.L.C. Total debt at Petro Travel Plaza L.L.C. is $13.0 million and is related to the construction of the travel plaza. The Company does not expect the guarantee to ever be enforced due to the positive cash flow provided by the operations of the Petro Travel Plaza, L.L.C.

The Company 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, Lafarge Corporation (the parent company of the previous operator) and the Company have been ordered to cleanup or abate an old industrial waste landfill site, a storage area for drums containing lubricants and solvents, an underground storage tank for waste oil and solvents, an underground plume of hydrocarbons, diesel fuel which leaked from a pipeline, and the cement kiln dust piles on the leased premises. Lafarge has undertaken the investigation and remediation of landfills and has completed the removal of contaminated soils above the groundwater level from the landfills. Lafarge has also completed a substantial amount of the site investigation with respect to chlorinated hydrocarbons. The plume of chlorinated hydrocarbons covers an extensive area and has migrated off of the leased premises in one direction where it has been found to be leaking into a local creek. Lafarge is undertaking additional investigation work as directed by the Regional Water Board and is developing a feasibility study evaluating different remediation options. Lafarge has also removed high concentrations of PCE from the drum storage site. The order for the kiln dust piles now requires only site stabilization measures of the sort previously undertaken by National and does not call for transporting the large piles offsite. Under the orders, the Company is secondarily liable and will be called upon to perform work only if National and Lafarge fail to do so. Under the lease agreements with National and Lafarge, each of the companies is required to indemnify the Company for its designated portion of any costs and liabilities incurred in connection with the cleanup order. Due to the financial strength of National and Lafarge, the Company believes that a material effect on the company is remote at this time.

For further discussion refer to the Company's 2000 Form 10-K, Part I, Item 3, - "Legal Proceedings". There have been no significant changes since the filing of the 2000 Form 10-K.

NOTE F - INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

The Company maintains investments in unconsolidated joint ventures, including an investment as a member in a limited liability company, Petro Travel Plaza, LLC, in which it has an ownership interest of 60%. The Company's other unconsolidated joint venture is R.M. Development in which the Company has a 50% ownership interest. R.M. Development is the entity that is planning the development of Company lands in Los Angeles County. The Company accounts for its investments in its unconsolidated joint ventures using the equity method of accounting. The Company's investment deficit in its unconsolidated joint ventures is $510,000 at June 30, 2001. The equity in net loss in earnings of its unconsolidated joint ventures is $105,000 for the six months ended June 30, 2001, which is included in Real Estate operations in the accompanying consolidated condensed statements of operations.

Condensed financial information of the Company's unconsolidated joint ventures as of and for the six months ended June 30 is as follows (in thousands):

Condensed Combined Statement of Operations

	2001	2000
Net sales	$18,216	$16,040
Net loss	$ (189)	$ (222)
Partner's share of net loss	(84)	(91)
Net loss of unconsolidated joint ventures	$ (105)	$ (131)

Condensed Combined Balance Sheet Information

	2001	2000
Current assets	$ 1,893	$ 2,356
Property and equipment, net	20,678	16,830
Long-term debt	(12,838)	(13,000)
Other liabilities	(1,558)	(1,382)
Net assets	$ 8,175	$ 4,804

The Company's investment deficit balance in its unconsolidated joint ventures and its equity in the net loss of unconsolidated joint ventures shown above differ from its capital accounts in the respective joint ventures. The differential represents the difference between the cost basis of assets contributed by the Company and the agreed upon contribution value of the assets contributed.

NOTE G - DISCONTINUED OPERATIONS

During April 2001 the Company finalized its plan for the sale of its cattle and feedlot division. Management intends to dispose of its cattle and feedlot division to provide capital for real estate development activities and to reduce outstanding debt of the Company. The process of selling the Company's breeding herd, stocker cattle herd, and feedlot is expected to be completed by the end of April 2002. At June 30, 2001, the assets of the division consisted of accounts receivable, inventories, premises, and equipment amounting to approximately $29.8 million. Liabilities of the division consist primarily of accounts payable and debt totaling approximately $20.7 million. Revenues from discontinued operations consist of sales of cattle and revenue from feedlot operations. Expenses consist of cost of sales related to the sale of cattle and expenses related to the operations of a cattle feedlot. There is no allowance for loss on disposal of division assets because the Company expects to recognize a net gain on the disposal of the division assets. During June 2001, the Company completed the sale of a portion of its breeding herd for $2.6 million to Centennial Livestock, a California agricultural company.

In addition, the Company completed the sale of its feedlot in Texas for $3.2 million during July of 2001. The combined gain on sale, net of applicable income taxes, for both the sale, which occurred in June 2001 and the sale which occurred in July 2001 was $700,000.

Condensed income statement information related to the discontinued operations for the period ending June 30 is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Revenues	$11,925	$13,752	$24,944	$21,276
Expenses	10,813	13,297	23,806	20,486
Income from discontinued operations, before income taxes	1,112	455	1,138	790
Income taxes	422	173	432	300
Income from discontinued operations, net of income taxes	$ 690	$ 282	$ 706	$ 490

NOTE H - INTEREST RATE RISK MANAGEMENT

During 2000, the Company entered into interest rate swap agreements with notional amounts totaling $11.9 million to manage interest rate risk by converting floating interest rate debt to fixed rate debt. Notional amounts correspond to the amount of our indebtedness affected by the interest rate swaps. These swap agreements, which have maturities ranging from 3 to 5 years, are contracts to exchange variable rate for fixed rate interest payments periodically over the lives of the agreements. Amounts currently due to or from interest rate swap counterparties are recorded in interest expense in the period in which they are incurred.

As of June 30, 2001, the cumulative decrease in the fair value of the interest rate swaps was $476,000. Changes in the fair value of the interest rate swaps are reported in accumulated other comprehensive income. These amounts are subsequently reclassified into interest expense as yield adjustment in the same period in which the related interest on the floating rate obligations affects earnings. No such amounts were reclassified to interest expense during the first quarter of 2001.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk," and "Notes to Consolidated Financial Statements" on the preceding pages of this report, management has made forward-looking statements regarding future developments in the cattle industry and the disposition of the cattle and feedlot division, future yield and prices of our cattle and crops, future revenue and income of our jointly-owned travel plaza, market demand for land and buildings in our industrial complex, potential losses to the Company as a result of pending environmental proceedings, market value risks associated with investment and risk management activities and with respect to inventory, accounts receivable, marketable securities, outstanding indebtedness, and the impact of the energy shortages in California. These forward-looking statements are subject to factors beyond the control of the Company (such as weather, market and economic forces) and, with respect to the Company's future development of its land, the availability of financing and the ability to obtain various governmental entitlements. No assurance can be given that the actual future results will not differ materially from those in the forward-looking statements.

Results of Operations

Total revenues, including interest income for the first six months of 2001, were $5,684,000 compared to $4,027,000 for the same period in 2000. The improvement in revenues during the first six months of 2001 compared to the same period of 2000 is due to increased real estate revenues and higher interest income. Real estate revenues increased $1,075,000 due to an increase in leasing revenues and to the receipt of additional milestone payments related to a power plant project being built by Calpine Corp. Interest income increased $671,000 due to the investment of $29.9 million of proceeds from the rights offering to Company stockholders that was completed in January 2001. These improvements were partially offset by a decrease of $89,000 in farming revenues due to reduced water sales to farming tenants and to the receipt in 2000 of revenue associated with the 1999 almond and pistachio harvest.

Net income for the first six months of 2001 including both continuing operations and discontinued operations, was $118,000 or $0.01 per share, diluted, compared to a net loss of $786,000 or $0.06 per shared, diluted, for the same period of 2000. Operating activities from continuing operations during the first six months of 2001 resulted in a net loss of $588,000 or $0.04 per share, diluted, compared to a net loss of $1,276,000 or $0.10 per share, diluted, for the same period of 2000. The improvement in net income when compared to 2000 is due to the increase in revenues described above. This improvement in revenues was partially offset by higher farming, real estate, and corporate expenses. Expenses within our real estate division increased $473,000 due to higher maintenance costs, staffing costs, and marketing costs. Farming costs for the period increased $334,000 due primarily to an increase in costs at Pacific Almond, our almond processing plant. The increase in cost at Pacific Almond is due to the timing of the purchase of the plant which resulted in less than a full year of operations in 2000, and to plant processing activities for the 2000 crop year not concluding until January 2001. Corporate expenses increased $269,000 due to higher professional services fees, higher staffing costs, and to higher stockholder relations expenses.

Total revenues for the second quarter of 2001, including interest income, were $3,663,000 compared to $2,387,000 for the second quarter of 2000. The increase is due primarily to real estate revenues increasing $896,000 for the same reasons as described above and to higher interest income for the quarter.

For the second quarter of 2001 the Company had net income of $916,000, or $0.06 per share, diluted, compared to a net loss of $215,000, or $0.02 per share, diluted, for the same period of 2000. Income from continuing operations for the second quarter of 2001 was $226,000, or $0.02 per share, diluted, compared to a net loss of $497,000, or $0.04 per share, diluted, for the same period of 2000. The improvement in net income is due to the increase in revenues described above and to lower interest expense. These improvements were partially offset by increased real estate and corporate costs. Real estate costs increased due to higher staffing costs and maintenance costs related to real estate development activities. Corporate expenses increased due to higher staffing costs and shareholder costs.

In future periods, as in the year 2000, our real estate division will continue to see an increase in costs primarily related to professional service fees, planning costs, entitlement costs, and staffing costs as we continue to increase real estate activities and pursue development opportunities. These types of real estate development activities and costs could continue over several years as we develop our land holdings. Our current industrial development, Tejon Industrial Complex, is continuing forward with infrastructure development to support the construction of a 1,800,000 square foot building by IKEA, the international furniture retailer and a new 650,000 square foot building undertaken as a joint venture with Dermody Properties, a real estate developer. Interest is continuing to be shown in our site despite the economic slow down and the electricity and energy problems within California. Despite the continuing interest in our site, we do expect that the activity at our industrial site will be slower than originally planned due the current economic climate and the power situation within California.

Production for many of the crops we grow, especially wine grapes and almonds, is expected on a statewide basis to have a record or near record production year. We believe that there is an imbalance between the supply of wine grapes and the demand as a result of so many new plantings coming into production. This increased production is forcing prices to historically low levels. We are also still in the process of contracting to sell our 2001 grape production. We cannot assure you that we will find buyers for all or any significant portion of our wine grape production in 2001. The lack of purchasers for our wine grapes would materially affect our business. The overall increase in production within the almond industry is continuing to keep pressure on the prices we receive for our product. It is still too early in the harvest season to accurately predict the final prices we may receive for our 2001 crops, but we do expect prices to be lower than we have historically received. The expected increase in almond production within the state will positively impact our almond processing operation because more almonds will be available for processing.

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

Prices received by the Company for many of our products are dependent upon prevailing market conditions and commodity prices. Therefore, we are unable to accurately predict revenue, just as we 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 Company are seasonal and results of operations cannot be predicted based on quarterly results.

California is in the midst of an energy crisis that could disrupt our operations, increase our expenses and affect real estate projects planned and in process. In the event of power shortages California has implemented and is expected in the future to continue to implement, rolling blackouts throughout most parts of the state. The energy crisis is expected to continue for several years until additional generator capacity is built. We are currently upgrading our backup generators for our offices but do not have backup generators or alternate sources of power in the event of a blackout for most of our operations, and our current insurance does not provide coverage for any damages our customers or we may suffer as a result of any interruption in our power supply. Our farming operations are particularly vulnerable because electrical power is used for pumping and distributing water used in irrigation. We believe, however, that we can alter irrigation schedules if necessary to deal with intermittent losses of power for limited periods of time. The power shortage could also affect the market demand for warehouse and industrial space in the Tejon Industrial Complex. Also rental and royalty payments from our tenants engaged in the manufacture of cement and in oil and gas extraction could be adversely affected. Our power is provided by Pacific Gas and Electric Company, which filed bankruptcy proceedings because of the significant losses it has incurred in providing electricity to its customers. We are unable to predict the impact of the bankruptcy and the power shortage in general on our operations, but they could have a material adverse effect, both in the short and long term.

Results of Discontinued Operations

During April 2001, the Company finalized its plan for the sale of its cattle and feedlot division. Management intends to dispose of its cattle and feedlot division to provide capital for real estate development activities and to reduce outstanding debt of the Company. While the sale of livestock assets would likely provide significant working capital, it would also result in a loss of significant revenues and income, even after taking into account the revenue stream from grazing leases that we expect to enter into in connection with the sales of the breeding herd. The process of selling a major portion the Company's breeding herd was completed in June, and the sale of the feedlot was completed during July 2001. The sale of the remaining stocker cattle is expected to be completed by the end of April 2002. During June 2001, the Company completed the sale of a portion of its breeding herd for $2.6 million to Centennial Livestock, a California agricultural company.

In addition, the Company completed the sale of its feedlot in Texas for $3.2 million during July of 2001. The combined gain on sale, net of applicable income taxes, for both the sale, which occurred in June 2001 and the sale, which occurred in July 2001, was $700,000.

Total revenues from discontinued operations for the six months of 2001 were $24,944,000 compared to $21,276,000 for the first six months of 2000. This increase over 2000 is primarily due to an increase in cattle sales of approximately $3,500,000. This increase is due to 4,355 additional head of cattle being sold in 2001 and to improved cattle prices during that time period. Included in these revenues are revenues from the sale of a large portion of our breeding herd of approximately $2,600,000.

Income from discontinued operations, net of applicable income taxes, for the first six months of 2001 were $706,000, or $0.05 per share, diluted, compared to net income, net of applicable income taxes, of $490,000 or $0.04 per share diluted, for the first six months of 2000. The increase is primarily related to the growth in revenues described above and a gain from the sale of a portion of the breeding herd. These improvements were partially offset by an increase in costs of sales due to the increased number of cattle sold and to higher feeding costs.

Cattle prices are continuing to show strength due to the perception of lower overall inventories of cattle in the United States. Demand for beef products is continuing to remain steady and is showing some strength for high quality branded products. These trends should be helpful to us as we continue to sell stocker cattle throughout the remainder of 2001 and into the first quarter of 2002.

Liquidity and Capital Resources
- -------------------------------

Our cash, cash equivalents and short-term investments totaled approximately $42,886,000 at June 30, 2001, compared to $13,341,000 at December 31, 2000. Working capital as of June 30, 2001 was $46,295,000 compared to $19,875,000 at December 31, 2000. The increase in working capital during the first quarter of 2001 is due primarily to funds received from the sale of common stock.

We have a revolving line of credit of $27,000,000 that as of June 30, 2001 had a balance outstanding of $19,773,000 bearing interest at the rate of 6.50%, which floats with changes in the lending bank's prime interest rate. At the Company's option, the interest rate on this line of credit can be fixed at 1.50% over a selected LIBOR rate or float at .50% less than the bank's prime lending rate. The Company's feedlot also has a short-term revolving line of credit for the feedlot with a local bank for $12,000,000 with an outstanding balance at June 30, 2001 of $8,507,000 and an interest rate of 6.50%, which floats with changes in the lending bank's prime interest rate. The revolving line of credit at the feedlot is used as a short-term cash management tool and for the financing of customer cattle, feed receivables and purchase of cattle. In the current quarter, short-term debt related to livestock operations declined due to the sale of cattle without buying replacement cattle. This decrease was offset by increased real estate activities.

Our outstanding long-term debt increased $1.8 million at the end of June 2001 compared to December 31, 2000. Long-term debt is being used to fund real estate development infrastructure, farming assets on our land, commercial buildings in Phoenix, Arizona, our feedlot in Texas, and the almond processing plan purchased in 2000.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact the consolidated financial position, results of operations, or cash flows due to adverse changes in financial or commodity market prices or rates. We are exposed to market risk in the areas of interest rates and commodity prices.

Financial Market Risks

The Company's exposure to financial market risks, includes changes to interest rates and credit risk related to marketable securities, interest rate related to our own outstanding indebtedness and trade receivables.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields and prudently managing risk. To achieve this objective and limit interest rate exposure, we limit our investments to securities with a maturity of less than five years and an investment grade of A or better from Moody's or Standard and Poors. See Note C, Marketable Securities - Notes to Consolidated Financial Statements.

The Company is exposed to interest rate risk on its short-term working capital line of credit and the long-term debt currently outstanding. The short-term line of credit interest rate can be tied to the lending bank's prime rate and would change when that rate changes, or the debt can be tied to a LIBOR rate on a fixed basis and change only at maturity of the fixed rate feature. A portion of the long-term debt ($4,707,000) has a fixed interest rate, and the fair value of this long-term debt will change based on interest rate movements in the market. The remaining long-term debt ($16,395,000) can either be fixed for periods of time to a LIBOR rate or float with the lending bank's prime rate. The floating rate obligations expose us to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense also decreases.

We believe it is prudent to limit the variability of a portion of our interest payments. It is our objective to hedge between 25% and 50% of our variable-rate interest payments.

To meet this objective we entered into an interest rate swap agreement to manage the potential fluctuations in cash flows resulting from interest rate risk. See Note H, Interest Rate Risk Management - Notes to Consolidated Financial Statements.

Credit and market risks related to our inventories and receivables ultimately depends on the value of the cattle, almonds, grapes, pistachios, and walnuts at the time of payment or sale. Based on historical experience with current customers and periodic credit evaluations of our customers' financial condition, we believe our credit risk is minimal. Market risk is discussed below in commodity price exposure.

The following tables provide information about our financial instruments that are sensitive to changes in interest rates. The tables present our debt obligations, principal cash flows and related weighted-average interest rates by expected maturity dates.

Interest Rate Sensitivity - Financial Market Risks
Principal Amount by Expected Maturity
At June 30, 2001
(Dollars in thousands)

	2001	2002	2003	2004	2005	There-after	Total	Fair Value 12/31/01
Assets:								
Marketable Securities	$ 1,165	$ 1,764	$3,871	$4,097	$ 757	---	$11,654	$ 11,845
Weighted Average Interest Rate	6.027%	5.94%	5.97%	6.61%	6.20%	---	6.21%	---
Liabilities								
Short-term Debt	$30,395	---	---	---	---	---	$30,395	$ 30,395
Weighted Average Interest Rate	6.50%	---	---	---	---	---	6.50%	---
Long-term debt	$ 1,342	$ 1,745	$2,623	$9,751	$ 223	$5,328	$21,102	$ 21,102
Weighted Average Interest Rate	7.79%	7.79%	7.79%	7.79%	7.79%	7.79%	7.79%	---
Variable-to-fixed Swap Notional Amount 3-Year Swap	---	$11,800	---	---	---	---	$11,800	$ 11,525
Weighted Average Pay Fixed Rate Contract Rate	6.91%	6.91%	---	---	---	---	6.91%	---
Weighted Average Pay Variable Rate, Current Rate	4.13%	---	---	---	---	---	4.13%	---

Interest Rate Sensitivity - Financial Market Risks
Principal Amount by Expected Maturity
At December 31, 2000
(Dollars in Thousands)

	2001	2002	2003	2004	2005	There-after	Total	FairValue 12/31/00
Assets:								
Marketable Securities	$ 2,750	$ 1,819	$4,786	$1,884	---	---	$11,239	$11,055
Weighted Average Interest Rate	5.84%	5.97%	6.34%	6.85%	---	---	6.24%	---
Liabilities:								
Short-Term Debt	$20,870	---	---	---	---	---	$20,870	$20,870
Weighted Average Interest Rate	8.71%	---	---	---	---	---	8.71%	---
Long-Term Debt	$ 1,973	$ 1,977	$2,855	$9,983	$ 455	$5,913	$23,156	$23,156
Weighted Average Interest Rate	8.26%	8.26%	8.26%	8.26%	8.21%	7.91%	8.24%	---
Variable-To-Fixed Swap Notional Amount 3-Year Swap	$ ---	$11,800	$ ---	$ ---	$ ---	$ ---	$11,800	$11,596
Weighted Average Pay Fixed-Rate Contract Rate	6.91%	6.91%	---	---	---	---	6.91%	---
Weighted Average Receive Variable Rate, Current Rate, Adjusts Monthly	6.71%	---	---	---	---	---	6.71%	---

In comparison to the prior year the Company's risk in regards to fluctuations in interest rates has increased overall due to the growth in the use of short-term lines of credit that fluctuate with the lending bank's prime lending.

Commodity Price Exposure

We have exposure to adverse price fluctuations associated with certain inventories, gross margins, accounts receivable, and certain anticipated transactions in our Livestock and Farming Divisions. Commodities such as corn and cattle are purchased and sold at market prices that are subject to volatility. In order to manage the risk of market price fluctuations, we enter into various exchange-traded futures and option contracts. We closely monitor and manage our exposure to market price risk on a daily basis in accordance with formal policies established for this activity. These policies limit the duration to maturity of contracts entered into as well as the level of exposure to be hedged.

Our goal in managing our cattle and feed costs is to protect or create a range of selling prices and feed prices that allow us to recognize a profit or minimize a loss on the sale of cattle once all costs are deducted. See Note D, Commodity Contracts Used to Manage Risk - Notes to Consolidated Financial Statements. A futures contract is an obligation to make or take delivery at a specific future time of a specifically defined, standardized unit of a commodity at a price determined when the contract is executed. Options are contracts that give their owners the right, but not the obligation, to buy or sell a specified item at a set price on or before a specified date. Losses on futures contracts and options as of June 30, 2001 were $723,000 as compared to the approximately $966,000 in losses at December 31, 2000. The increase in hedge losses is primarily due to an increase in cattle prices during the last quarter of 2000, and an increase in 2001 prices related to the future delivery of cattle, which caused futures contracts and options to be repriced, creating losses on the derivative positions. These losses are expected to be offset by the increase in prices received on the sale of cattle.

Inventories consist primarily of cattle for sale, and price fluctuations are managed with futures and options contracts. See the table below for contracts outstanding at the end of the period. We are at risk with respect to changes in market prices with respect to cattle held for sale that are not protected by futures and options contracts. At June 30, 2001, approximately 75% of the cattle held in inventory or 11,250 head of cattle were not protected by futures and options for price movement. This compares to 26,657 head of cattle at December 31, 2000. The 2001 number of head of cattle equates to approximately 12.9 million pounds of beef. For each $.01 per pound change in price, we have a potential exposure of $129,000 in future value. Although the price which the cattle will ultimately be sold is unknown, over the last three years the market price has ranged from $.50 per pound to $.78 per pound and the current market price at August 3, 2001 was $.71 per pound for cattle being delivered in August 2001.

The following table identifies the futures contract amounts and options contract costs outstanding at June 30, 2001 (in thousands, except number of contracts):

Cattle Future / Option Description	No. Contracts	Original Contract/Cost (Bought) Sold	Estimated Fair Value (Bought) Sold
Corn futures bought, 50,000 lbs. per contract	20	$(207)	$ 200
Cattle futures sold, 40,000 lbs. per contract	20	602	(589)
Cattle options bought, 40,000 lbs. per contract	109	(56)	16
Cattle options sold, 40,000 lbs. per contract	80	16	(14)

The above futures contracts and options contracts expire between August 2001 and October 2001. Estimated fair value at settlement is based upon quoted prices at June 30, 2001.

The following table identifies the futures contract amounts and options contract costs outstanding at December 31, 2000 (in thousands, except number of contracts).

Cattle Future / Option Description	No. Contracts	Original Contract/Cost (Bought) Sold	Estimated Fair Value (Bought) Sold
Cattle futures sold, 40,000 lbs. per contract	230	$6,826,000	$(7,215,000)
Cattle options sold, 40,000 lbs. per contract	25	4,000	(26,000)
Cattle options bought, 40,000 lbs. per contract	95	(934,000)	930,000
Corn options bought, 50,000 lbs. per contract	55	(613,000)	654,000

The above futures contracts and options contracts expired between February 2001 and April 2001. Estimated fair value at settlement is based upon quoted market prices at December 31, 2000.

With respect to accounts receivable, the amount at risk relates primarily to farm crops. These receivables are recorded as estimates of the prices that ultimately will be received for the crops. The final price will not be known until the third or fourth quarter of 2001. At June 30, 2001, we currently have no outstanding accounts receivable for our farm crops. The outstanding at risk receivables at December 31, 2000 of $1,352,000, have been collected.

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.

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

(a) The Annual meeting of Shareholders was held on May 1, 2001.

(b) During the Annual Meeting an election of directors was submitted to a vote of the security holders. Each of the persons named in the Proxy Statement as nominee for director was elected. Following are the voting results on each of the nominees for director:

Election of Directors	Votes For	Votes Withheld
Craig Cadwalader	12,984,407	192,308
Rayburn Dezember	12,980,733	196,982
George G. C. Parker	12,955,212	222,503
Robert A. Stine	11,548,753	1,628,962

(c) In addition to the election of directors two other items were submitted to a vote of security holders as follows:

	Votes For	Votes Against	Abstain	Broker Non-Votes
Approval of the Amendment to the 1998 Stock Incentive Plan	7,703,315	1,972,348	41,943	4,573,577
Approval of the Amendment to the Non-Employee Director Stock Incentive Plan	8,015,710	1,658,005	43,891	4,573,577

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K
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(a) Exhibits -

3.1 Restated Certificate of Incorporation *
3.2 Bylaws **

(b) Reports - on Form 8-K

None.

*   This document, filed with the Securities Exchange Commission in Washington, D.C. (file number 1-7183) under Item 14 to the Company's Annual report on Form 10-K for year ended December 31, 1987, is incorporated herein by reference.

** This document, filed with the Securities Exchange Commission in Washington, D.C. (file number 1-7183) under Item 14 to the Company's Annual report on Form 10-K for year ended December 31, 1994, is incorporated herein by reference.

SIGNATURES

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

TEJON RANCH CO.

(The Company)

August 14, 2001	BY /s/ ALLEN E. LYDA
DATE	Allen E. Lyda Vice President, Chief Financial Officer