REX AMERICAN RESOURCES Corp
Form 10-K
April 09, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED JANUARY 31, 2012 COMMISSION FILE NO. 001-09097

REX AMERICAN RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	31-1095548 (I.R.S. Employer Identification No.)
2875 Needmore Road, Dayton, Ohio (Address of principal executive offices)	45414 (Zip Code)

Registrant s telephone number, including area code (937) 276-3931

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

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

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

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

At the close of business on July 31, 2011 the aggregate market value of the registrant s outstanding Common Stock held by non-affiliates of the registrant (for purposes of this calculation, 2,800,735 shares beneficially owned by directors and executive officers of the registrant were treated as being held by affiliates of the registrant), was $114,313,452.

There were 8,388,132 shares of the registrant s Common Stock outstanding as of April 6, 2012.

Documents Incorporated by Reference

Portions of REX American Resources Corporation s definitive Proxy Statement for its Annual Meeting of Shareholders on June 5, 2012 are incorporated by reference into Part III of this Form 10-K.

FORWARD-LOOKING STATEMENTS

This Form 10-K contains or may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such statements can be identified by use of forward-looking terminology such as may, expect, believe, estimate, anticipate or continue or the r thereof or other variations thereon or comparable terminology. Readers are cautioned that there are risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. These risks and uncertainties include the risk factors set forth from time to time in the Company s filings with the Securities and Exchange Commission and include among other things: the impact of legislative changes, the price volatility and availability of corn, distillers grains, ethanol, corn oil, gasoline, natural gas, ethanol plants operating efficiently and according to forecasts and projections, changes in the national or regional economies, weather, the effects of terrorism or acts of war and changes in real estate market conditions. The Company does not intend to update publicly any forward-looking statements except as required by law. Other factors that could cause actual results to differ materially from those in the forward-looking statements are set forth in Item 1A.

AVAILABLE INFORMATION

REX makes available free of charge on its Internet website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. REX s Internet website address is www.rexamerican.com. The contents of the Company s website are not a part of this report.

PART I

Item 1. <u>Business</u>

Overview

REX was incorporated in Delaware in 1984 as a holding company to succeed to the entire ownership of three affiliated corporations, Rex Radio and Television, Inc., Stereo Town, Inc. and Kelly & Cohen Appliances, Inc., which were formed in 1980, 1981 and 1983, respectively. Our principal offices are located at 2875 Needmore Road, Dayton, Ohio 45414. Our telephone number is (937) 276-3931. Historically, we were a specialty retailer in the consumer electronics and appliance industry serving small to medium-sized towns and communities. In addition, we have been an investor in various alternative energy entities beginning with synthetic fuel partnerships in 1998 and later ethanol production facilities beginning in 2006. Recognizing the change in our business, we changed our corporate name from REX Stores Corporation to REX American Resources Corporation in 2010.

We completed our exit of the retail business as of July 31, 2009. Going forward, our only retail related activities consist of the administration of extended service plans we previously sold and the payment of related claims. Contract revenues and expenses related to extended service plans are classified as discontinued operations.

At January 31, 2012, we had lease agreements, as landlord, for six owned former retail stores and had 16 vacant former retail properties. We also own one former distribution center that is partially leased, partially occupied by our corporate office personnel and partially vacant. We are marketing these vacant properties to lease or sell. Should our marketing efforts result in additional tenants to whom we lease property, we would expect to execute leases with terms of five to twenty years.

We are currently invested in five ethanol production entities, two of which we have a majority ownership interest in. We may make additional investments in the alternative energy segment during fiscal year 2012.

Our ethanol operations are highly dependent on commodity prices, especially prices for corn, ethanol, distillers grains, corn oil and natural gas. As a result of price volatility for these commodities, our operating results can fluctuate substantially. The price and availability of corn is subject to significant fluctuations depending upon a number of factors that affect commodity prices in general, including crop conditions, weather, federal policy and foreign trade. Because the market price of ethanol is not always directly related to corn prices, at times ethanol prices may lag movements in corn prices and, in an environment of higher prices, reduce the overall margin structure at the plants. As a result, at times, we may operate our plants at negative or marginally positive operating margins.

We expect our ethanol plants to produce approximately 2.8 gallons of denatured ethanol for each bushel of grain processed in the production cycle. We refer to the difference between the price per gallon of ethanol and the price per bushel of grain (divided by 2.8) as the crush spread. Should the crush spread decline, it is possible that our ethanol plants will generate operating results that do not provide adequate cash flows for sustained periods of time. In such cases, production at the ethanol plants may be reduced or stopped altogether in order to minimize variable costs at individual plants. We expect decisions to be made on an individual plant basis, as there are different market conditions at each of our ethanol plants.

We attempt to manage the risk related to the volatility of grain and ethanol prices by utilizing forward grain purchase and forward ethanol and distillers grain sale contracts. We attempt to match quantities of ethanol and distillers grains sale contracts with an appropriate quantity of grain purchase contracts over a given period of time when we can obtain an adequate gross margin resulting from the crush spread inherent in the contracts we have executed. However, the market for future ethanol sales contracts is not a mature market. Consequently, we generally execute contracts for no more than three months into the future at any given time. As a result of the relatively short period of time our contracts cover, we generally cannot predict the future movements in the crush spread for more than three months; thus, we are unable to predict the likelihood or amounts of future income or loss from the operations of our ethanol facilities.

The crush spread realized in 2011 was subject to significant volatility. For calendar year 2011, the average Chicago Board of Trade (CBOT) near-month corn price was approximately $6.80 per bushel, ranging from a low of approximately $5.88 per bushel in October 2011 to a high of approximately $7.85 per bushel in June 2011. Ethanol prices had significant fluctuations ranging from approximately $2.16 per gallon in December to approximately $2.83 per gallon in July. Ethanol and corn prices have tended to trade in the same direction but with varying spreads. In 2011, the CBOT crush spread ranged from a low of approximately negative $0.04 per gallon to a high of approximately $0.44 per gallon. We believe ethanol demand in 2011 was impacted by the expiration of the Volumetric Ethanol Tax Credit Blender Credit as of December 31, 2011. Crush spreads have continued to decline in 2012 and have remained negative (absent the consideration of distillers grains and corn oil). Prices for distillers grains we sell generally trend with grain prices. These prices for distillers grains and prices of corn oil have partially offset the decline in the crush spread.

We reported segment profit (before income taxes and noncontrolling interests) from our alternative energy segment of approximately $48.6 million in fiscal year 2011 compared to approximately $13.4 million in fiscal year 2010. The increase in profitability primarily resulted from increased periods of ownership of the NuGen Energy, LLC (NuGen) plant for the current year and impairment charges and loss on deconsolidation of Levelland Hockley County Ethanol, LLC (Levelland Hockley) in fiscal year 2010 of approximately $18.4 million. Levelland Hockley reported a loss from operations during fiscal year 2010, and ceased production in January 2011. We expect that future operating results, from our consolidated plants, will be based upon combined annual production of between 200 and 230 million gallons of ethanol, which assumes that our consolidated ethanol plants will operate at or near nameplate capacity. However, due to the inherent volatility of the crush spread, we cannot predict the likelihood of future operating results being similar to the fiscal year 2011 results.

We plan to seek and evaluate various investment opportunities including energy related, agricultural or other ventures we believe fit our investment criteria. We can make no assurances that we will be successful in our efforts to find such opportunities.

Additional information regarding our business segments is presented below and in Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) in this Form 10-K. See Note 19 of the Notes to the Consolidated Financial Statements for information regarding the net sales and revenues and operating results for each of our business segments for the fiscal years ended January 31, 2012, 2011 and 2010.

Fiscal Year

All references in this report to a particular fiscal year are to REX s fiscal year ended January 31. For example, fiscal year 2011 means the period February 1, 2011 to January 31, 2012. We refer to our fiscal year by reference to the year immediately preceding the January 31 fiscal year end date.

Alternative Energy Overview

As part of our ongoing efforts to diversify and increase our earnings, we began investing in the ethanol industry during fiscal year 2006. We seek to identify quality ethanol plant opportunities characterized by strong plant construction partners and plant management, located near adequate feedstock supply with good transportation capabilities or other economically beneficial attributes, and that utilize leading ethanol production technology.

We follow a flexible model for our investments in ethanol plants, taking both minority and majority ownership positions. The form and structure of our investments is tailored to the specific needs and goals of each project and the local farmer group or investor with whom we are partnering. We generally participate in the management of our projects through our membership on the board of managers of the limited liability companies that own the plants.

Ethanol Investments

We have invested in five entities as of January 31, 2012, utilizing equity investments. As of January 31, 2012, all of the entities we are invested in are operating except for Levelland Hockley. The following table is a summary of our ethanol investments in operating plants at January 31, 2012:

Entity	Trailing 12 Months Ethanol Gallons Sold	REX s Current Ownership Interest	Current Effective Ownership of Trailing 12 Months Ethanol Gallons Sold
One Earth Energy, LLC	104.6 M	74%	77.4 M
NuGen Energy, LLC	114.6 M	98%	112.3 M
Patriot Renewable Fuels, LLC	114.8 M	26%	29.8 M
Big River Resources W Burlington, LLC	105.5 M	10%	10.5 M
Big River Resources Galva, LLC	106.4 M	10%	10.6 M
Big River United Energy, LLC	118.2 M	5%	5.9 M
Big River Resources Boyceville, LLC (1)	4.7 M	10%	0.5 M
Total	668.8 M		247.0 M

(1) Our current effective annual gallons sold represents one month of ownership of Big River Resources Boyceville, LLC.

One Earth Energy, LLC

On October 30, 2007, we acquired 74% of the outstanding membership units of One Earth Energy, LLC, or One Earth, for $50.8 million. We consolidate One Earth with our financial results and include them in our alternative energy segment. One Earth completed construction in the second quarter of fiscal year 2009 of its ethanol production facility in Gibson City, Illinois. The plant has an annual nameplate capacity of 100 million gallons of ethanol and 320,000 tons of dried distillers grains (DDG).

One Earth commenced production operations late in the second quarter of fiscal year 2009 and began generating revenue in the third quarter of fiscal year 2009.

NuGen Energy, LLC

Effective July 1, 2010, we acquired a 48% equity interest in NuGen, which operates an ethanol producing facility in Marion, South Dakota with an annual nameplate capacity of 100 million gallons of ethanol and 320,000 tons of DDG. Our investment included $2,410,000 paid at closing to the then sole shareholder of NuGen and $6,805,000 contributed directly to NuGen. An additional $6,451,000 was due based upon cash distributions from NuGen that we are entitled to until such balance is paid (Contingent Consideration). On November 1, 2011, we acquired an additional 50% equity interest in NuGen. Following the purchase, we own all of the outstanding Class A membership interest units in NuGen, representing a 100% voting interest and a 98% equity interest in NuGen. The purchase price, which included settlement of our remaining Contingent Consideration liability, was $12,678,000. We also contributed an additional $7,000,000 to NuGen at closing.

Patriot Renewable Fuels, LLC

We have invested approximately $18.0 million in Patriot Renewable Fuels, LLC, or Patriot, for a 26% ownership interest. Patriot commenced production operations in the second quarter of fiscal year 2008. The plant is located in Annawan, Illinois and has an annual nameplate capacity of 100 million gallons of ethanol and 320,000 tons of DDG.

Big River Resources, LLC

We have invested $20 million in Big River Resources, LLC, or Big River, for a 10% ownership interest. Big River is a holding company for several entities including Big River Resources West Burlington, LLC which operates an ethanol plant with an annual nameplate capacity of 92 million gallons of ethanol and 294,000 tons of DDG. This plant is located in West Burlington, Iowa. The facility has been in operation since 2004.

Big River completed construction in the second quarter of fiscal year 2009 of its second plant which has an annual nameplate capacity of 100 million gallons of ethanol and 320,000 tons of DDG. This plant is located in Galva, Illinois.

In August 2009, Big River acquired a 50.5% interest in an ethanol production facility which has an annual nameplate capacity of 100 million gallons of ethanol and 320,000 tons of DDG. The plant is located in Dyersville, Iowa. Reflecting REX s 10% ownership interest in Big River, we have an effective 5% ownership interest in this entity.

In December 2011, Big River acquired a 100% interest in an ethanol production facility which has an annual nameplate capacity of 55 million gallons of ethanol and 176,000 tons of DDG. The plant is located in Boyceville, Wisconsin.

Big River also operates five agricultural elevators with a storage capacity of 10 million bushels.

Levelland Hockley County Ethanol, LLC

Through a series of equity and convertible debt investments, we had acquired a 56% ownership interest in Levelland Hockley, LLC, or Levelland Hockley, which is located in Levelland, Texas. Levelland Hockley commenced production operations in the first quarter of fiscal year 2008.

The plant was shut down in early January 2011 as a result of industry wide low crush margins and the plant s inability to source grain at affordable prices. On January 31, 2011, we sold 814,000 of our membership units to Levelland Hockley for $1, reducing our ownership interest in Levelland Hockley to 49%. As a result, we no longer have a controlling financial interest in Levelland Hockley, and, therefore, effective January 31, 2011, we deconsolidated Levelland Hockley. In connection with the deconsolidation, we recorded our remaining noncontrolling equity interest and our debt investments at fair value. Our estimate of fair value for all of our investments in Levelland Hockley was $0 at January 31, 2011. We recorded a pretax charge of approximately $18.4 million as a result of deconsolidating Levelland Hockley and writing our remaining investments in Levelland Hockley to $0 at January 31, 2011. On April 27, 2011, Levelland Hockley voluntarily filed for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court, Northern District of Texas. As a result, we no longer can exercise significant influence over Levelland Hockley and began using the cost method of accounting. There has been no change in the carrying value of our investments in Levelland Hockley as a result of the change to the cost method of accounting.

Ethanol Industry

Ethanol is a renewable fuel source produced by processing corn and other biomass through a fermentation process that creates combustible alcohol that can be used as an additive or replacement to fossil fuel based gasoline. The majority of ethanol produced in the United States is made from corn because of its wide availability and ease of convertibility from large amounts of carbohydrates into glucose, the key ingredient in producing alcohol that is used in the fermentation process. Ethanol production can also use feedstocks such as grain sorghum, switchgrass, wheat, barley, potatoes and sugarcane as carbohydrate sources. Most ethanol plants have been located near large corn production areas, such as Illinois, Indiana, Iowa, Minnesota, Nebraska, Ohio and South Dakota. Railway access and interstate access are vital for ethanol facilities due to the large amount of demand in the east- and west-coast markets, primarily as a result of the stricter air quality requirements in large parts of those markets, and the limited ethanol production facilities.

According to the Renewable Fuels Association, or RFA, the United States fuel ethanol industry experienced record production of an estimated 13.9 billion gallons in 2011. As of January 2012, the number of operating ethanol plants increased to 209, up from 54 in 2000 and are located in 29 states with a total capacity of 14.9 billion gallons annually.

On December 19, 2007, the Energy Independence and Security Act of 2007 (the Energy Act of 2007) was enacted. The Energy Act of 2007 established new levels of renewable fuel mandates, including two different categories of renewable fuels: conventional biofuels and advanced biofuels. Corn-based ethanol is considered conventional biofuels which was subject to a renewable fuel standard (RFS) of at least 12.6 billion gallons per year in 2011, with an expected increase to at least 15.0 billion gallons per year by 2015. Advanced biofuels include ethanol derived from cellulose, hemicellulose or other non-corn starch sources; biodiesel; and other fuels derived from non-corn starch sources. Advanced biofuels RFS levels are set to reach at least 21.0 billion gallons per year, resulting in a total RFS from conventional and advanced biofuels of at least 36.0 billion gallons per year by 2022.

Ethanol Production

The plants we have invested in are designed to use the dry milling method of producing ethanol. In the dry milling process, the entire corn kernel is first ground into flour, which is referred to as meal, and processed without separating out the various component parts of the grain. The meal is processed with enzymes, ammonia and water, and then placed in a high-temperature cooker. It is then transferred to fermenters where yeast is added and the conversion of sugar to ethanol begins. After fermentation, the resulting liquid is transferred to distillation columns where the ethanol is separated from the remaining stillage for fuel uses. The anhydrous ethanol is then blended with denaturant, such as natural gasoline, to render it undrinkable and thus not subject to beverage alcohol tax. With the starch elements of the corn consumed in the above described process, the principal co-product produced by the dry milling process is dry distillers grains with solubles, or DDGS. DDGS is sold as a protein used in animal feed and recovers a significant portion of the total corn cost. We have recently installed corn oil extraction equipment at our One Earth and NuGen facilities and expect to begin generating revenues from corn oil sales in the first half of fiscal year 2012. Corn oil is sold to the animal feed market, as well as biodiesel and other chemical markets.

The Primary Uses of Ethanol

Blend component. Today, much of the ethanol blending in the U.S. is done for the purpose of extending the volume of fuel sold at the gas pump. Blending ethanol allows refiners to produce more fuel from a given barrel of oil. Currently, ethanol is blended into approximately 95% of the gasoline sold in the United States, the majority as E-10 (a blend of 10% ethanol and 90% gasoline), according to the RFA. Going forward, the industry is attempting to expand the E-85 market, as well as to raise the federal cap on ethanol blend above the current 10% for most vehicles in use. The U.S. Environmental Protection Agency approved the use of 15% ethanol in gasoline for cars and light duty trucks made in 2007 and later. In January 2011, the EPA expanded this to include cars, pickups and SUV s made in model years 2001 through 2006. Despite this, it will take time for this measure to be implemented and currently several lawsuits have been filed to stop the expanded measure from moving forward.

Clean air additive. Ethanol is employed by the refining industry as a fuel oxygenate, which when blended with gasoline, allows engines to combust fuel more completely and reduce emissions from motor vehicles. Ethanol contains 35% oxygen, which results in more complete combustion of the fuel in the engine cylinder. Oxygenated gasoline is used to help meet certain federal and air emission standards.

Octane enhancer. Ethanol increases the octane rating of gasoline with which it is blended. As such, ethanol is used by gasoline suppliers as an octane enhancer both for producing regular grade gasoline from lower octane blending stocks and for upgrading regular gasoline to premium grades.

Legislation

The United States ethanol industry is highly dependent upon federal and state legislation. See Item 1A. Risk Factors for a discussion of legislation affecting the U.S. ethanol industry.

Synthetic Fuel Partnerships

We had invested in three limited partnerships which owned facilities producing synthetic fuel. The partnerships earned federal income tax credits under Section 29/45K of the Internal Revenue Code based upon the tonnage and content of solid synthetic fuel produced and sold to unrelated parties. We received a final payment of approximately $2.9 million in fiscal year 2011 related to the sale of one of the partnerships. The Section 29/45K tax credit program expired on December 31, 2007. As such, we do not expect to receive additional income from these investments.

See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and Notes 5 and 18 of the Notes to the Consolidated Financial Statements for further discussion.

Real Estate Operations

At January 31, 2012, we had lease agreements, as landlord, for six owned former retail stores (77,000 square feet). We have 16 owned former retail stores (206,000 square feet), that are vacant at January 31, 2012. We are marketing these vacant properties to lease or sell. In addition, one former distribution center is partially leased (221,000 square feet), partially occupied by our corporate office personnel (10,000 square feet) and partially vacant (246,000 square feet).

A typical lease agreement has an initial term of five to twenty years with renewal options. Most of our lessees are responsible for a portion of maintenance, taxes and other executory costs. We require our lessees to maintain adequate levels of insurance. We recognized lease revenue of approximately $1,317,000 and $1,018,000 during fiscal years 2011 and 2010, respectively.

Retail

When we operated retail stores, we offered extended service contracts to our customers which typically provided, inclusive of manufacturers warranties, one to five years of warranty coverage. We plan to manage and administer these contracts and to recognize the associated deferred income and expenses, including the cost to repair or replace covered products, over the remaining life of the contracts. We have classified as discontinued operations all retail related activities, including those activities associated with extended service plans, in the Consolidated Statements of Operations for all periods presented.

Facilities

At January 31, 2012, we owned six former retail store properties that were leased to outside, unrelated parties. There were also 16 vacant former retail store properties that we were attempting to either lease or sell. In addition, we have one former distribution center that is partially leased, partially occupied by our corporate office and partially vacant. Our consolidated ethanol entities own a combined 408 acres of land and two facilities with an annual nameplate capacity of 100 million gallons of ethanol each.

Employees

At January 31, 2012, we had six employees supporting our corporate functions. At January 31, 2012, One Earth and NuGen combined, had 99 employees. None of our employees are represented by a labor union. We expect this employment level to remain relatively stable.

We consider our relationship with our employees to be good.

Service Marks

We have registered our service mark REX , and we own an application to register the mark Farmers Energy , with the United States Patent and Trademark Office. We are not aware of any adverse claims concerning our service marks.

Item 1A. Risk Factors

We encourage you to carefully consider the risks described below and other information contained in this report when considering an investment decision in REX common stock. Any of the events discussed in the risk factors below may occur. If one or more of these events do occur, our results of operations, financial condition or cash flows could be materially adversely affected. In this instance, the trading price of REX stock could decline, and investors might lose all or part of their investment.

We have concentrations of cash deposits at financial institutions that exceed federal insurance limits.

We generally have cash deposits that exceed federal insurance limits. Should the financial institutions we deposit our cash at experience insolvency or other financial difficulty, our access to cash deposits could be limited. In extreme cases, we could lose our cash deposits entirely. This would negatively impact our liquidity and results of operations.

The current interest rate environment has resulted in lower yields on our excess cash.

We have experienced lower yields on our excess cash compared to historical yields. Should the present economic conditions result in a sustained period of historically low interest rates, our interest income would be negatively impacted.

Risks Related to our Synthetic Fuel Investments and Income Tax Benefits

We face synthetic fuel risks as future IRS audits may result in the disallowance of previously recognized tax credits.

We have recognized investment income of approximately $7.7 million from the sales of our partnership interests from years that the partnerships have not been audited by the Internal Revenue Service (IRS). Should the tax credits be denied on any future audit and we fail to prevail through the IRS or the legal process, there could be significant refunds of previously recognized income with a significant adverse impact on earnings and cash flows.

The production and sale of synthetic fuel qualified for Section 29/45K tax credits if certain requirements were satisfied, including a requirement that the synthetic fuel differs significantly in chemical composition from the coal used to produce the synthetic fuel and that the fuel was produced from a facility placed in service before July 1, 1998.

We may not be able to generate sufficient taxable income to realize our deferred tax assets.

We have approximately $24.0 million of alternative minimum tax (AMT) credit carryforwards recorded as deferred tax assets on our consolidated financial statements. Should future results of operations or other factors cause us to determine that it is not more likely than not that we will generate sufficient taxable income to fully utilize our deferred tax assets, we would then be required to establish a valuation allowance against such deferred tax assets. We would increase our income tax expense by the amount of the tax benefit we do not expect to realize. This would reduce our net income and could have a material adverse effect on our results of operations and our financial position.

Risks Related to our Alternative Energy Business

Our ethanol investments are subject to the risks of an inexperienced business which could adversely affect returns on our ethanol investments and our results of operations.

We do not have long term experience investing in the ethanol industry. We entered into our first agreement to invest in an ethanol plant in November 2005. At January 31, 2012, we were invested in five entities that own and operate seven ethanol production facilities. One facility has been in production since 2004, but the remaining facilities all became operational or were acquired in fiscal year 2008 or later. Our ethanol investments have been managed by our Chief Executive Officer, our Chief Operating Officer and our Chief Financial Officer. We do not otherwise have a dedicated ethanol development or management staff at the parent company level. As a consequence, our ethanol investments are subject to risks including an unproven business model, a lack of operating history and an undeveloped operating structure. These risks could result in our making investments in ethanol plants that perform substantially below our expectations, which would adversely affect our results of operations and financial condition.

If cash flow from operations of our ethanol plants is not sufficient to service debt, the plants could fail and we could lose our entire investment.

Our ethanol plants financed approximately 60% of plant construction cost with debt. The debt typically has a balloon payment due after five years. The ability of each company owning the plant to repay borrowings incurred will depend upon the plant s financial and operating performance. The cash flows and capital resources of an ethanol plant may be insufficient to repay its debt obligations. If a plant cannot service its debt, it may be forced to reduce or delay capital expenditures, sell assets, restructure its indebtedness or seek additional capital. If unable to do so, the value of our investment could decline significantly.

The institutional senior lenders to the companies which own and operate our ethanol plants hold liens on the plant s assets. If a company fails to make its debt service payments, the senior lender will have the right to repossess the plant s assets in addition to other remedies, which are superior to our rights as an equity investor. Such action could have a material adverse impact on our investment in the ethanol plant.

We operate in a capital intensive industry. Limitations to external financing could adversely affect our financial performance.

In general, continued volatility in the capital markets has resulted in reduced availability of capital for the ethanol industry. We may need to incur additional financing to fund growth of our business or in times of increasing liquidity requirements (such as increases in raw material costs). Any delays to obtain additional financing, or our inability to do so, could have a material adverse impact on our financial results.

The financial returns on our ethanol investments are highly dependent on commodity prices, which are subject to significant volatility and uncertainty, and the availability of supplies, so our results could fluctuate substantially.

The financial returns on our ethanol investments are substantially dependent on commodity prices, especially prices for corn or other feedstock, natural gas, ethanol and unleaded gasoline. As a result of the volatility of the prices for these items, the returns may fluctuate substantially and our investments could experience periods of declining prices for their products and increasing costs for their raw materials, which could result in operating losses at our ethanol plants.

Our returns on ethanol investments are highly sensitive to grain prices. Corn is the principal raw material our ethanol plants use to produce ethanol and co-products. As a result, changes in the price of corn can significantly affect their businesses. Rising corn prices result in higher costs of ethanol and co-products. Because ethanol competes with non-corn-based fuels, our ethanol plants generally will be unable to pass along increased grain costs to their customers. At certain levels, grain prices may make ethanol uneconomical to produce.

The price of corn is influenced by weather conditions and other factors affecting crop yields, transportation costs, farmer planting decisions, exports, the value of the U.S. dollar and general economic, market and regulatory factors. These factors include government policies and subsidies with respect to agriculture and international trade and global and local demand and supply. The significance and relative effect of these factors on the price of corn is difficult to predict. Any event that tends to negatively affect the supply of corn, such as adverse weather or crop disease, could increase corn prices and potentially harm the business of our ethanol plants. Increasing domestic ethanol capacity could boost the demand for corn and result in increased corn prices. Our ethanol plants may also have difficulty, from time to time, in physically sourcing corn on economical terms due to supply shortages. Such a shortage could require our ethanol plants to suspend operations which would have a material adverse effect on the financial returns on our ethanol investments and our consolidated results of operations.

The spread between ethanol and corn prices can vary significantly. The gross margin at our ethanol plants depends principally on the spread between ethanol and corn prices. Fluctuations in the spread are likely to continue to occur. A sustained narrow spread or any further reduction in the spread between ethanol and corn prices, whether as a result of sustained high or increased corn prices or sustained low or decreased ethanol prices, would adversely affect the results of operations at our ethanol plants.

Our risk management strategies may be ineffective and may expose us to decreased profitability and liquidity. In an attempt to partially offset the impact of volatility of commodity prices, we enter into forward contracts to sell a portion of our ethanol and distillers grains production and to purchase a portion of our corn and natural gas requirements. The financial impact of these risk management activities is dependent upon, among other items, the prices involved and our ability to receive or deliver the commodities involved. Risk management activities can result in financial loss when positions are purchased in a declining market or when positions are sold in an increasing market. We vary the amount of risk management techniques we utilize, and we may choose not to engage in any risk management activities. Should we fail to properly manage the inherent volatility of commodities prices, our results of operations and financial condition may be adversely affected.

The market for natural gas is subject to market conditions that create uncertainty in the price and availability of the natural gas that our ethanol plants use in their manufacturing process. Our ethanol plants rely upon third parties for their supply of natural gas, which is consumed as fuel in the production of ethanol. The prices for and availability of natural gas are subject to volatile market conditions. These market conditions often are affected by factors beyond the ethanol plants control, such as weather conditions, overall economic conditions and foreign and domestic governmental regulation and relations. Significant disruptions in the supply of natural gas could impair the ethanol plants ability to economically manufacture ethanol for their customers. Furthermore, increases in natural gas prices or changes in our natural gas costs relative to natural gas costs paid by competitors may adversely affect results of operations and financial position at our ethanol plants.

Fluctuations in the selling price of commodities may reduce profit margins at our ethanol plants. Ethanol is marketed as a fuel additive to reduce vehicle emissions from gasoline, as an octane enhancer to improve the octane rating of gasoline with which it is blended and, to a lesser extent, as a gasoline substitute. As a result, ethanol prices are influenced by the supply and demand for gasoline and our ethanol plants results of operations and financial position may be materially adversely affected if gasoline demand decreases.

Distillers grains compete with other protein based animal feed products. The price of distillers grains may decrease when the prices of competing feed products decrease. The prices of competing animal feed products are based in part on the prices of the commodities from which their products are made. Historically, sales prices for distillers grains have tracked along with the price of corn. However, there have been instances when the price increase for distillers grains has lagged price increases in corn prices.

The production of distillers grains has increased as a result of increases in dry mill ethanol production in the United States. This could lead to price declines in what we can sell our distillers grains for in the future. Such declines could have an adverse material effect on our results of operations.

Increased ethanol production or decreases in demand for ethanol may result in excess production capacity in the ethanol industry, which may cause the price of ethanol, distillers grains and corn oil to decrease.

According to the RFA, domestic ethanol production nameplate capacity has increased to approximately 14.9 billion gallons per year at January 2012. The RFA estimates that, as of January 2012, approximately 140 million gallons per year of additional production capacity is under construction. Excess capacity in the ethanol industry would have an adverse effect on the results of our ethanol operations. In a manufacturing industry with excess capacity, producers have an incentive to manufacture additional products for so long as the price exceeds the marginal cost of production (i.e., the cost of producing only the next unit, without regard for interest, overhead or fixed costs). This incentive could result in the reduction of the market price of ethanol to a level that is inadequate to generate sufficient cash flow to cover costs.

Excess capacity may also result from decreases in the demand for ethanol, which could result from a number of factors, including, but not limited to, regulatory developments and reduced U.S. gasoline consumption. Reduced gasoline consumption could occur as a result of increased prices for gasoline or crude oil, which could cause businesses and consumers to reduce driving or acquire vehicles with more favorable gasoline mileage or acquire hybrid vehicles.

In addition, because ethanol production produces distillers grains and corn oil as co-products, increased ethanol production will also lead to increased supplies of distillers grains and corn oil. An increase in the supply of distillers grains and corn oil, without corresponding increases in demand, could lead to lower prices or an inability to sell our ethanol plants distillers grains and corn oil production. A decline in the price of distillers grains or corn oil could have a material adverse effect on the results of our ethanol operations.

Trade restrictions on ethanol exports could reduce the demand for ethanol.

The European Union initiated an anti-dumping and anti-subsidy investigation regarding United States exports of ethanol to Europe and United States policies surrounding ethanol production and use. If producers and exporters of ethanol are subject to trade restrictions, or additional duties are imposed on exports, it may make it uneconomical to export ethanol. This could result in an oversupply of ethanol in the United Sates which could have a material adverse effect on the results of our ethanol operations.

We depend on our partners to operate certain of our ethanol investments.

Our investments currently represent both majority and minority equity positions. Day-to-day operating control of minority owned plants generally remains with the local farmers cooperative or investor group that has promoted the plant. We may not have the ability to directly modify the operations of these plants in response to changes in the business environment or in response to any deficiencies in local operations of the plants. In addition, local plant operators, who also represent the primary suppliers of corn and other crops to the plants, may have interests, such as the price and sourcing of corn and other crops, that may differ from our interest, which is based solely on the operating profit of the plant. The limitations on our ability to control day-to-day plant operations could adversely affect plant results of operations.

We may not successfully acquire or develop additional ethanol investments.

The growth of our ethanol business depends on our ability to identify and develop new ethanol investments. Our ethanol development strategy depends on referrals, and introductions, to new investment opportunities from industry participants, such as ethanol plant builders, financial institutions, marketing agents and others. We must continue to maintain favorable relationships with these industry participants, and a material disruption in these sources of referrals would adversely affect our ability to expand our ethanol investments.

Any expansion strategy will depend on prevailing market conditions for the price of ethanol and the costs of corn and natural gas and the expectations of future market conditions. There is increasing competition for suitable sites for ethanol plants. Even if suitable sites or opportunities are identified, we may not be able to secure the services and products from contractors, engineering firms, construction firms and equipment suppliers necessary to build or expand ethanol plants on a timely basis or on acceptable economic terms. Construction costs associated with expansion may increase to levels that would make a new plant too expensive to complete or unprofitable to operate. Additional financing may also be necessary to implement any expansion strategy, which may not be accessible or available on acceptable terms.

Our ethanol plants may be adversely affected by technological advances and efforts to anticipate and employ such technological advances may prove unsuccessful.

The development and implementation of new technologies may result in a significant reduction in the costs of ethanol production. For instance, any technological advances in the efficiency or cost to produce ethanol from inexpensive, cellulosic sources such as wheat, oat or barley straw could have an adverse effect on our ethanol plants, because those facilities are designed to produce ethanol from corn, which is, by comparison, a raw material with other high value uses. We cannot predict when new technologies may become available, the rate of acceptance of new technologies by competitors or the costs associated with new technologies. In addition, advances in the development of alternatives to ethanol could significantly reduce demand for or eliminate the need for ethanol.

Any advances in technology which require significant unanticipated capital expenditures to remain competitive or which reduce demand or prices for ethanol would have a material adverse effect on the results of our ethanol operations.

In addition, alternative fuels, additives and oxygenates are continually under development. Alternative fuel additives that can replace ethanol may be developed, which may decrease the demand for ethanol. It is also possible that technological advances in engine and exhaust system design and performance could reduce the use of oxygenates, which would lower the demand for ethanol, and the results of our ethanol operations may be materially adversely affected.

The U.S. ethanol industry is highly dependent upon a myriad of federal and state legislation and regulation and any changes in legislation or regulation could materially and adversely affect our results of operations and financial position.

The elimination of the blender s credit could have a material adverse effect on the results of our ethanol operations. The American Jobs Creation Act of 2004 created the Volumetric Ethanol Tax Credit, referred to as the blender s credit. This credit allowed gasoline distributors who blended ethanol with gasoline to receive a federal excise tax credit of $0.45 per gallon of pure ethanol, or $0.045 per gallon if blended with 10% ethanol (E-10), and $0.3825 per gallon if blended with 85% ethanol (E-85). The $0.45 per gallon incentive for ethanol expired on December 31, 2011. This credit was a significant benefit to our customers and the elimination of this credit makes our product less attractive to customers.

The effect of the renewable fuel standard (RFS) program in the Energy Independence and Security Act of 2007 (the 2007 Act) is uncertain. The domestic market for ethanol is largely dictated by federal mandates for blending ethanol with gasoline. The RFS mandate level for conventional biofuels for 2012 of 13.2 billion gallons is lower than current domestic production levels. Future demand will be largely dependent upon the economic incentives to blend based upon the relative value of gasoline versus ethanol, taking into consideration the relative octane value of ethanol, environmental requirements and the RFS. Any significant increase in production capacity beyond the RFS level could have a negative impact on ethanol prices. Additionally, the RFS mandate with respect to ethanol derived from grain could be reduced or waived entirely. A reduction or waiver of the RFS mandate could negatively affect ethanol prices and our future performance. The RFS Flexibility Act was introduced on October 5, 2011 in the U.S. House of Representatives to reduce or eliminate the volumes of renewable fuel use required by RFS based upon corn stocks-to-use ratios. The Domestic Alternative Fuels Act of 2012 was introduced on January 18, 2012 in the U.S. House of Representatives to modify the RFS to include ethanol and other fuels produced from fossil fuels like coal and natural gas. Our operations and resulting financial performance could be adversely impacted if the RFS Flexibility Act or the Domestic Alternative Fuels Act of 2012 are enacted into law.

Changes in corporate average fuel economy standards could adversely impact ethanol prices. Flexible fuel vehicles receive preferential treatment in meeting federally mandated corporate average fuel economy (CAFE) standards for automobiles manufactured by car makers. High blend ethanol fuels such as E-85 result in lower fuel efficiencies. Absent the CAFE preferences, car makers would not likely build flexible-fuel vehicles. Any change in CAFE preferences could reduce the growth of E-85 markets and result in lower ethanol prices.

Various studies have criticized the efficiency of ethanol, in general, and corn-based ethanol in particular, which could lead to the reduction or repeal of incentives and tariffs that promote the use and domestic production of ethanol or otherwise negatively impact public perception and acceptance of ethanol as an alternative fuel.

Although many trade groups, academics and governmental agencies have supported ethanol as a fuel additive that promotes a cleaner environment, others have criticized ethanol production as consuming considerably more energy and emitting more greenhouse gases than other biofuels and as potentially depleting water resources. Other studies have suggested that corn-based ethanol is less efficient than ethanol produced from switchgrass or wheat grain and that it negatively impacts consumers by causing prices for dairy, meat and other foodstuffs from livestock that consume corn to increase. If these views gain acceptance, support for existing measures promoting use and domestic production of corn-based ethanol could decline, leading to reduction or repeal of these measures. These views could also negatively impact public perception of the ethanol industry and acceptance of ethanol as an alternative fuel.

Federal support of cellulosic ethanol may result in reduced incentives to corn-derived ethanol producers.

The American Recovery and Reinvestment Act of 2009 and the Energy Independence and Security Act of 2007 provide funding opportunities in support of cellulosic ethanol obtained from biomass sources such as switchgrass and poplar trees. The amended RFS mandates an increasing level of production of non-corn derived biofuels. These federal policies may suggest a long-term political preference for cellulosic processes using alternative feedstocks such as switchgrass, silage or wood chips. Cellulosic ethanol has a smaller carbon footprint and is unlikely to divert foodstuff from the market. Several cellulosic ethanol plants are under development and there is a risk that cellulosic ethanol could displace corn ethanol. Our plants are designed as single-feedstock facilities, located in corn production areas with limited alternative feedstock nearby, and would require significant additional investment to convert to the production of cellulosic ethanol. The adoption of cellulosic ethanol as the preferred form of ethanol could have a significant adverse effect on our ethanol business.

Our ethanol business is affected by environmental and other regulations which could impede or prohibit our ability to successfully operate our plants.

Our ethanol production facilities are subject to extensive air, water and other environmental regulations. We have had to obtain numerous permits to construct and operate our plants. Regulatory agencies could impose conditions or other restrictions in the permits that are detrimental or which increase our costs. More stringent federal or state environmental regulations could be adopted which could significantly increase our operating costs or require us to expend considerable resources.

Our ethanol plants emit various airborne pollutants as by-products of the ethanol production process, including carbon dioxide. In 2007, the U.S. Supreme Court classified carbon dioxide as an air pollutant under the Clean Air Act in a case seeking to require the EPA to regulate carbon dioxide in vehicle emissions. In February 2010, the EPA released its final regulations on the Renewable Fuel Standard program (RFS2). We believe our plants are grandfathered at their current operating capacity, but plant expansion will need to meet a 20% threshold reduction in greenhouse gas (GHG) emissions from a 2005 baseline measurement to produce ethanol eligible for the RFS2 mandate. To expand our plant capacity, we may be required to obtain additional permits, install advanced technology such as corn oil extraction, or reduce drying of certain amounts of distillers grains. We may also be required to install carbon dioxide mitigation equipment or take other steps in order to comply with future laws or regulations. Compliance with future laws or regulations of carbon dioxide, or if we choose to expand capacity at certain of our plants, compliance with then-current regulations of carbon dioxide, could be costly and may prevent us from operating our plants as profitably, which may have a negative impact on our financial performance.

The California Air Resources Board (CARB) has adopted a Low Carbon Fuel Standard (LCFS) requiring a 10% reduction in GHG emissions from transportation fuels by 2020. An Indirect Land Use Charge is included in this lifecycle GHG emission calculation. On December 29, 2011, the U.S. District court for the Eastern District of California issued several rulings in federal lawsuits challenging the LCFS. One of the rulings preliminarily prevents CARB from enforcing these regulations during the pending litigation. On January 23, 2012, CARB unsuccessfully attempted to appeal these rulings in the U.S. District court for the Eastern District of California and on January 26, 2012 filed another appeal with the Ninth Circuit Court of Appeals. While this standard is currently being challenged by various lawsuits, implementation of such a standard may have an adverse impact on the market for corn based ethanol in California. While this standard is being challenged by lawsuits, implementation of such a standard could have an adverse impact on the market for corn-based ethanol in California if corn-based ethanol fails to achieve lifecycle GHG emission reductions. This could have a negative impact on our financial performance.

Our revenue from the sale of distillers grains depends upon its continued market acceptance as an animal feed.

Distillers grains is a co-product from the fermentation of corn to produce ethanol. Antibiotics may be used during the fermentation process to control bacterial contamination; therefore antibiotics may be present in small quantities in distillers grains marketed as animal feed. The U. S. Food and Drug Administration s, or FDA s, Center for Veterinary Medicine has expressed concern about potential animal and human health hazards from the use of distillers grains as an animal feed due to the possibility of antibiotic residues. If the public became concerned about the impact of distillers grains in the food supply or as an acceptable animal feed, the market for distillers grains could be negatively impacted, which would have a negative impact on our results of operations.

At certain of our plants, we extract and sell non-edible corn oil immediately prior to the production of distillers grains. Several studies are trying to determine how corn oil extraction may impact the nutritional value of the resulting distillers grains. If it is determined that corn oil extraction adversely impacts the energy content of distillers grains, the value of the distillers grains we sell may be negatively impacted, which would have a negative impact on our results of operations.

The price of distillers grains may decline as a result of China s anti-dumping investigation of distillers grains originating in the United Sates.

Estimates indicate that as much as 10 to 15 percent of the distiller grains produced in the United States will be exported to China in the coming year. However, this export market may be jeopardized if the Chinese government imposes trade barriers in response to the outcome of an antidumping investigation currently being conducted by the Chinese Ministry of Commerce. If producers and exporters of distiller grains are subjected to trade barriers when selling distiller grains to Chinese customers, there may be a reduction in the price of distillers grains in the United States. Declines in the price we receive for our distillers grains could lead to decreased revenues and may result in our inability to operate our ethanol plants profitably.

We face significant competition in the ethanol industry.

We face significant competition for new ethanol investment opportunities. There are varied enterprises seeking to participate in the ethanol industry. Some enterprises provide financial and management support similar to our business model. Other enterprises seek to acquire or develop plants which they will directly own and operate. Many of our competitors are larger and have greater financial resources and name recognition than we do. We must compete for investment opportunities based on our strategy of supporting and enhancing local development of ethanol plant opportunities. We may not be successful in competing for investment opportunities based on our strategy.

The ethanol industry is primarily comprised of smaller entities that engage exclusively in ethanol production and large integrated grain companies that produce ethanol along with their base grain business. Recently, several large oil companies have entered the ethanol production market. If these companies increase their ethanol plant ownership or other oil companies seek to engage in direct ethanol production, there would be less of a need to purchase ethanol from independent producers like our ethanol plants.

Larger firms offer efficiencies and economies of scale, resulting in lower costs of production. In addition, plants sold as part of a bankruptcy proceeding may have significantly lower costs than our ethanol plants. Absent significant growth and diversification, our ethanol plants may not be able to operate profitably in a more competitive environment. No assurance can be given that our ethanol plants will be able to compete successfully or that competition from larger companies with greater financial resources will not have a materially adverse affect on the results of our ethanol operations.

We may face competition from foreign companies.

There is a risk of foreign competition in the ethanol industry. Brazil is presently the second largest producer of ethanol in the world. Brazil s ethanol production, which is sugarcane based, has historically been cheaper to produce than corn-based ethanol.

If significant additional foreign ethanol production capacity is created, such facilities could create excess supplies of ethanol, which may result in lower prices of ethanol. In addition, foreign ethanol producers may be able to produce ethanol at costs lower than ours. These risks could have significant adverse effects on our financial performance.

We are exposed to credit risk from our sales of ethanol and distillers grains to customers.

The inability of a customer to make payments to us for our accounts receivable may cause us to experience losses and may adversely impact our liquidity and our ability to make our payments when due.

We may not be able to hire and retain qualified personnel to operate our ethanol plants.

Our ability to attract and retain competent personnel has a significant impact on operating efficiencies and plant profitability. Competition for key plant employees in the ethanol industry can be intense, and we may not be able to attract and retain qualified employees. Failure to do so could have a negative impact on our financial results at individual plants.

Our plants depend on an uninterrupted supply of energy and water to operate. Unforeseen plant shutdowns could harm our business.

Our plants require a significant and uninterrupted supply of natural gas, electricity and water to operate. We generally rely on third parties to provide these resources. If there is an interruption in the supply of energy or water for any reason, such as supply, delivery or mechanical problems and we are unable to secure an adequate alternative supply to sustain plant operations, we may be required to stop production. A production halt for an extended period of time could result in material losses.

Potential business disruption from factors outside our control, including natural disasters, severe weather conditions, accidents, strikes, unexpected equipment failures and unforeseen plant shutdowns, could adversely affect our cash flow and operating results.

Our failure to effectively integrate the recently completed acquisition of NuGen could result in an inability to realize the anticipated benefits of the purchase and adversely affect our business and operating results.

Our recent acquisition of NuGen will involve the integration of a company that had previously operated independently, which is challenging and time-consuming. The process of integrating NuGen, a previously privately held company, into REX, a publicly traded company, could result in the loss of key employees, the disruption of its ongoing businesses, or inconsistencies in the respective standards, controls, procedures, and policies of the two companies, any of which could adversely affect our ability to maintain relationships with customers, suppliers, and employees. In addition, the successful combination of the companies will require REX to dedicate significant management resources and to potentially expend additional funds for additional staffing, resources and control procedures, all of which could temporarily divert attention from the day-to-day business of the combined company. If we fail to complete an effective integration of NuGen into REX, anticipated growth in revenue, profitability, and cash flow resulting from the purchase of NuGen could be adversely affected.

The debt agreements for the ethanol plants contain restrictive financial and performance covenants.

Our subsidiaries that operate ethanol plants (ethanol subsidiaries) have debt agreements that contain covenants with several financial and performance restrictions. A breach of any of these covenants could result in a default under the applicable agreement. If a default were to occur, the ethanol subsidiary would likely seek a waiver of that default, attempt to reset the covenant, or refinance the instrument and accompanying obligations. If the ethanol subsidiary was unable to obtain this relief, the default could result in the acceleration of the total due related to that debt obligation. If a default were to occur, the ethanol subsidiary may not be able to pay its debts or borrow sufficient funds to refinance them. In addition, certain lease agreements could also be in default if a default of the debt agreement occurs. Any of these events, if they occur, could materially adversely affect our results of operations, financial condition, and cash flows.

The debt agreements for the ethanol plants limit, or otherwise restrict the amount of dividends and other payments the ethanol subsidiaries can transfer to their members.

We are dependent on dividends from our ethanol subsidiaries to generate cash flow. Presently, all of our ethanol subsidiaries have debt agreements that limit payments to members. Therefore, these companies cannot distribute all of the cash they generate to their members. Furthermore, we may not be able to use the excess cash flow from one subsidiary to fund corporate needs or needs of another operating ethanol subsidiary.

Changes in interest rates could have a material adverse effect on the results of our ethanol operations.

One Earth and Patriot have interest rate swaps at January 31, 2012 that, in essence, fix the interest rate on a portion of their variable rate debt. During fiscal years 2011, 2010 and 2009, we recognized losses on these swaps. Further reductions in interest rates could increase the liability position of the interest rate swaps, requiring us to record additional expense which could be material. The liability for these interest rate swaps could also result in a default of the term loan agreements restrictive financial covenants.

In addition, increases in interest rates could have a negative impact on results of operations as all of the debt our ethanol plants have is variable rate debt. Furthermore, the interest rate swaps do not fix the interest rate on the entire portion of the related debt.

We rely on information technology in our operations and financial reporting and any material failure, inadequacy, interruption or security breach of that technology could harm our ability to efficiently operate our business and report our financial results accurately and timely.

We rely heavily on information technology systems across our operations, including for management of inventory, purchase orders, production, invoices, shipping, accounting and various other processes and transactions. Our ability to effectively manage our business, coordinate the production, distribution and sale of our products and ensure the timely and accurate recording and disclosure of financial information depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems through a cyber attack or otherwise could cause delays in product sales, reduced efficiency of our operations and delays in reporting our financial results. Significant capital investments could be required to remediate any such problem. Security breaches of employee information or other confidential or proprietary data could also adversely impact our reputation, and could result in litigation against us or the imposition of penalties.

Risks Related to the Wind Down and Exit of our Retail business and Risks Related to our Real Estate Segment.

Our future costs associated with administering extended product service contracts may result in higher than expected costs.

We will continue to administer extended product service contracts that have contractual maturities over the next three years. To the extent we do not have products or an adequate repair service network to satisfy warranty claims; we may incur material costs as we would be required to refund cash to customers for warranted products.

We have a significant amount of vacant warehouse and retail space after the completion of the wind down of our retail business.

At January 31, 2012, we own one distribution facility and 16 former retail store properties comprising approximately 452,000 square feet that are completely or partially vacant. We are currently marketing these facilities for lease or sale. We may not be able to successfully lease or sell these properties which could result in lost opportunities for revenue or future impairment charges related to the carrying value of the associated assets. We also have costs related to the vacant properties such as property taxes and utilities that we would have to bear without any revenue from such properties.

Item 1B. **Unresolved Staff Comments**

None.

Item 2. **Properties**

The information required by this Item 2 is set forth in Item 1 of this report under Ethanol Investments , Real Estate Operations and Facilities and is incorporated herein by reference.

Item 3. Legal Proceedings

We are involved in various legal proceedings incidental to the conduct of our business. We believe that these proceedings will not have a material adverse effect on our financial condition or results of operations.

Executive Officers of the Company

Set forth below is certain information about each of our executive officers.

Name	Age	Position
Stuart Rose	57	Chairman of the Board and Chief Executive Officer*
Douglas Bruggeman	51	Vice President-Finance, Chief Financial Officer and Treasurer
Edward Kress	62	Secretary*
Zafar Rizvi	62	President and Chief Operating Officer

*Also serves as a director.

Stuart Rose has been our Chairman of the Board and Chief Executive Officer since our incorporation in 1984 as a holding company to succeed to the ownership of Rex Radio and Television, Inc., Kelly & Cohen Appliances, Inc. and Stereo Town, Inc. Prior to 1984, Mr. Rose was Chairman of the Board and Chief Executive Officer of Rex Radio and Television, Inc., which he founded in 1980 to acquire the stock of a corporation which operated four retail stores.

Douglas Bruggeman has been our Vice President Finance and Treasurer since 1989 and was elected Chief Financial Officer in 2003. From 1987 to 1989, Mr. Bruggeman was our Manager of Corporate Accounting. Mr. Bruggeman was employed with the accounting firm of Ernst & Young prior to joining us in 1986.

Edward Kress has been our Secretary since 1984 and a director since 1985. Mr. Kress has been a partner of the law firm of Dinsmore & Shohl LLP (formerly Chernesky, Heyman & Kress P.L.L.), our legal counsel, since 1988. Mr. Kress has practiced law in Dayton, Ohio since 1974.

Zafar Rizvi was elected President and Chief Operating Officer in 2010. Previously, he had been our Vice President, and has been President of Farmers Energy Incorporated, our alternative energy investment subsidiary, since 2006. From 1991 to 2006, Mr. Rizvi was our Vice President Loss Prevention. From 1986 to 1991, Mr. Rizvi was employed in the video retailing industry in a variety of management positions.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

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

SHAREHOLDER INFORMATION

Common Share Information and Quarterly Share Prices

Our common stock is traded on the New York Stock Exchange under the symbol REX.

Fiscal Quarter Ended	**High**	**Low**
April 30, 2010	$ 18.40	$ 14.87
July 31, 2010	19.30	15.19
October 31, 2010	16.83	12.96
January 31, 2011	17.23	14.84
April 30, 2011	$ 17.45	$ 13.36
July 31, 2011	17.66	14.69
October 31, 2011	18.90	14.15
January 31, 2012	26.16	15.85

As of April 5, 2012, there were 126 holders of record of our common stock, including shares held in nominee or street name by brokers.

Dividend Policy

We did not pay dividends in the current or prior years. We currently have no restrictions on the payment of dividends. Our ethanol subsidiaries have certain restrictions on their ability to pay us dividends.

Issuer Purchases of Equity Securities

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)**
November 1-30, 2011	55,788	$ 17.82	55,788	162,455
December 1-31, 2011	12,063	$ 21.39		162,455
January 1-31, 2012		$		162,455
Total	67,851	$ 18.45	55,788	162,455

(1) A total of 12,063 shares of common stock were purchased by us other than through a publicly announced plan or program. These shares were acquired on December 16, 2011 in payment of the exercise price of stock options exercised by Douglas L. Bruggeman, our Chief Financial Officer pursuant to the Company s Stock-for-Stock and Cashless Option Exercise Rules and Procedures, adopted on June 4, 2001. The purchase price was $21.39 per share.

(2) On October 20, 2011, our Board of Directors increased our share repurchase authorization by an additional 500,000 shares. At January 31, 2012, a total of 162,455 shares remained available to purchase under this authorization.

Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return on our Common Stock against the cumulative total return of the S&P 500 Stock Index and a peer group comprised of selected publicly traded consumer ethanol producers (*) for the period commencing January 31, 2007 and ended January 31, 2012. The graph assumes an investment of $100 in our Common Stock and each index on January 31, 2007 and reinvestment of all dividends.

* The peer group (and the month the companies went public if within the five year period) is comprised of Pacific Ethanol, Inc., BioFuel Energy Corp. (June 2007) and Green Plains Renewable Energy, Inc. Returns for the peer group are included upon a full year s return being available as of January 31.

Item 6. Selected Financial Data

The following statements of operations and balance sheet data have been derived from our consolidated financial statements and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related Notes. Prior period amounts applicable to the statement of operations have been adjusted to recognize the reclassification of the results of our former retail segment and certain real estate assets to discontinued operations as a result of our exit of the retail business and real estate sales. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of income from ethanol investments, derivative financial instruments, gain on sale of real estate, loss and impairment charges related to deconsolidation and long-term debt. These items have fluctuated significantly in recent years and may affect comparability of years.

Five Year Financial Summary

(In Thousands, Except Per Share Amounts)

Years Ended January 31,		**2012**		**2011**		**2010**		**2009**		**2008**
Net sales and revenue (a)	$	409,952	$	301,407	$	169,777	$	68,408	$	185
Net (income) loss attributable to noncontrolling interests	$	(5,428)	$	(3,673)	$	(3,900)	$	3,156	$	841
Income (loss) from continuing operations attributable to REX common shareholders, net of tax (a) (b) (c)	$	26,495	$	3,386	$	6,156	$	(2,969)	$	19,936
Net income (loss) attributable to REX common shareholders (b) (c)	$	28,270	$	5,069	$	8,652	$	(3,297)	$	33,867
Basic income (loss) per share from continuing operations attributable to REX common shareholders (a)	$	2.90	$	0.35	$	0.66	$	(0.29)	$	1.91
Diluted income (loss) per share from continuing operations attributable to REX common shareholders (a)	$	2.88	$	0.34	$	0.65	$	(0.29)	$	1.70
Basic net income (loss) per share attributable to REX common shareholders	$	3.10	$	0.53	$	0.93	$	(0.32)	$	3.25
Diluted net income (loss) per share attributable to REX common shareholders	$	3.08	$	0.52	$	0.91	$	(0.32)	$	2.89
Total assets	$	438,049	$	375,722	$	451,505	$	451,288	$	408,978
Long-term debt and capital lease obligations, net of current maturities	$	108,527	$	70,973	$	126,689	$	103,939	$	35,224
Long-term derivative financial instrument liability	$	2,541	$	3,688	$	4,055	$	4,032	$	2,308

a) Amounts differ from those previously reported as the results of our former retail segment and certain real estate assets have been reclassified into discontinued operations. See Note 17 of the Notes to the Consolidated Financial Statements for further discussion and analysis of discontinued operations.

b) The results for the year ended January 31, 2008 include significant amounts of income from the sale of ethanol investments and synthetic fuel partnerships.

c) The results for the year ended January 31, 2011 include a significant expense for loss on deconsolidation of Levelland Hockley and related impairment charges.

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

Overview

Historically, we were a specialty retailer in the consumer electronics and appliance industry serving small to medium-sized towns and communities. In addition, we have been an investor in various alternative energy entities beginning with synthetic fuel partnerships in 1998 and later ethanol production facilities beginning in 2006.

In fiscal year 2007, we began to evaluate strategic alternatives for our retail segment with a focus on closing unprofitable or marginally profitable retail stores and monetizing our retail-related real estate assets. We did not believe that we were generating an adequate return from our retail business due to the competitive nature of the consumer electronics and appliance industry and the overall economic conditions in the United States. We completed our exit of the retail business as of July 31, 2009. Going forward, our only retail related activities will consist of the administration of extended service plans we previously sold and the payment of related claims. All activities related to extended service plans are classified as discontinued operations.

At January 31, 2012, we had lease agreements for all or parts of six former retail properties and had 16 vacant former retail properties. We also own one former distribution center, which is partially leased, partially occupied by our corporate office personnel and partially vacant. We are marketing the vacant properties to lease or sell. Should our marketing efforts result in additional tenants to whom we lease property, we would expect to execute leases with a term of five to twenty years.

We currently have equity investments in five ethanol production entities, two of which we have a majority ownership interest in. We may make additional investments in the alternative energy segment during fiscal year 2012.

Our ethanol operations are highly dependent on commodity prices, especially prices for corn, ethanol, distillers grains and natural gas. As a result of price volatility for these commodities, our operating results can fluctuate substantially. The price and availability of corn is subject to significant fluctuations depending upon a number of factors that affect commodity prices in general, including crop conditions, weather, federal policy and foreign trade. Because the market price of ethanol is not always directly related to corn prices, at times ethanol prices may lag movements in corn prices and, in an environment of higher prices, reduce the overall margin structure at the plants. As a result, at times, we may operate our plants at negative or marginally positive operating margins.

We expect our ethanol plants to produce approximately 2.8 gallons of denatured ethanol for each bushel of grain processed in the production cycle. We refer to the difference between the price per gallon of ethanol and the price per bushel of grain (divided by 2.8) as the crush spread. Should the crush spread decline, our ethanol plants are likely to generate operating results that do not provide adequate cash flows for sustained periods of time. In such cases, production at the ethanol plants may be reduced or stopped altogether in order to minimize variable costs at individual plants. We expect these decisions to be made on an individual plant basis, as there are different market conditions at each of our ethanol plants.

We attempt to manage the risk related to the volatility of grain and ethanol prices by utilizing forward grain purchase and forward ethanol and distillers grain sale contracts. We attempt to match quantities of ethanol and distillers grains sale contracts with an appropriate quantity of grain purchase contracts over a given period of time when we can obtain an adequate gross margin resulting from the crush spread inherent in the contracts we have executed. However, the market for future ethanol sales contracts is not a mature market. Consequently, we generally execute contracts for no more than three months into the future at any given time. As a result of the relatively short period of time our contracts cover, we generally cannot predict the future movements in the crush spread for more than three months; thus, we are unable to predict the likelihood or amounts of future income or loss from the operations of our ethanol facilities.

The crush spread realized in 2011 was subject to significant volatility. For calendar year 2011, the average Chicago Board of Trade (CBOT) near-month corn price was approximately $6.80 per bushel, ranging from a low of approximately $5.88 per bushel in October 2011 to a high of approximately $7.85 per bushel in June 2011. Ethanol prices had significant fluctuations ranging from approximately $2.16 per gallon in December to approximately $2.83 per gallon in July. Ethanol and corn prices have tended to trade in the same direction but with varying spreads. In 2011, the CBOT crush spread ranged from a low of approximately negative $0.04 per gallon to a high of approximately $0.44 per gallon. We believe ethanol demand in 2011 was impacted by the expiration of the Volumetric Ethanol Tax Credit Blender Credit as of December 31, 2011. Crush spreads have continued to decline in 2012 and have remained negative (absent the consideration of distillers grains and corn oil). Prices for distillers grains we sell generally trend with grain prices. These prices have partially offset the decline in the crush spread.

We reported segment profit (before income taxes and noncontrolling interests) from our alternative energy segment of approximately $48.6 million in fiscal year 2011 compared to approximately $13.4 million in fiscal year 2010. The increase in profitability primarily resulted from increased periods of ownership of the NuGen plant for the current year and impairment charges and loss on deconsolidation of Levelland Hockley recognized in fiscal year 2010 of approximately $18.4 million. Levelland Hockley reported a loss from operations in fiscal year 2010 and as a result of narrowing crush spreads was shut down in January 2011.

We expect that future operating results from our consolidated ethanol plants will be based upon combined annual production of between 200 and 230 million gallons of ethanol, which assumes that One Earth and NuGen will operate at or near nameplate capacity. However, due to the inherent volatility of the crush spread, we cannot predict the likelihood of future operating results being similar to the 2011 results.

Ethanol Investments

In fiscal year 2006, we entered the alternative energy industry by investing in several entities organized to construct and, subsequently operate, ethanol producing plants. Historically, we invested in six entities (one of which was divested) and five of which we remain invested in as of January 31, 2012, utilizing equity investments.

The following table is a summary of our ethanol investments in operating plants at January 31, 2012:

Entity	Trailing 12 Months Ethanol Gallons Sold	REX s Current Ownership Interest	Current Effective Ownership of Trailing 12 Months Ethanol Gallons Sold
One Earth Energy, LLC	104.6 M	74%	77.4 M
NuGen Energy, LLC	114.6 M	98%	112.3 M
Patriot Renewable Fuels, LLC	114.8 M	26%	29.8 M
Big River Resources W Burlington, LLC	105.5 M	10%	10.5 M
Big River Resources Galva, LLC	106.4 M	10%	10.6 M
Big River United Energy, LLC	118.2 M	5%	5.9 M
Big River Resources Boyceville, LLC (1)	4.7 M	10%	0.5 M
Total (2)	668.8 M		247.0 M

(1) Our current effective annual gallons sold represents one month of ownership of Big River Resources Boyceville, LLC.
(2) The table excludes Levelland Hockley, which ceased production in January 2011.

One Earth commenced production operations late in the second quarter of fiscal year 2009 and began generating revenue in the third quarter of fiscal year 2009.

Effective November 1, 2011, we acquired an additional 50% equity interest in NuGen which operates an ethanol producing facility in Marion, South Dakota with an annual nameplate capacity of 100 million gallons of ethanol and 320,000 tons of DDG per year. This acquisition resulted in our ownership interest in NuGen increasing to 98%.

Patriot commenced production operations in the second quarter of fiscal year 2008.

Big River completed construction in the second quarter of fiscal year 2009 of its second plant which has an annual nameplate capacity of 100 million gallons of ethanol and 320,000 tons of DDG per year. The plant is located in Galva, Illinois.

In August 2009, Big River acquired a 50.5% interest in an ethanol production facility which has an annual nameplate capacity of 100 million gallons of ethanol and 320,000 tons of DDG per year. The plant is located in Dyersville, Iowa.

In December 2011, Big River acquired a 100% interest in an ethanol production facility which has an annual nameplate capacity of 55 million gallons of ethanol and 176,000 tons of DDG per year. The plant is located in Boyceville, Wisconsin.

The Levelland Hockley plant was shut down in early January 2011 as a result of industry wide low crush spread margins and the plant s inability to source grain at affordable prices. On January 31, 2011 we sold 814,000 of our membership units to Levelland Hockley for $1, reducing our ownership interest in Levelland Hockley to 49%. As a result, we no longer have a controlling financial interest in Levelland Hockley, and, therefore, effective January 31, 2011, we deconsolidated Levelland Hockley and began using the equity method of accounting to account for the results of Levelland Hockley. In connection with the deconsolidation, we recorded our remaining noncontrolling equity interest and our debt investments at fair value. Our estimate of fair value for all of our investments in Levelland Hockley was $0 at January 31, 2011. We recorded a pretax charge of approximately $18.4 million as a result of deconsolidating Levelland Hockley and writing our remaining investments in Levelland Hockley to $0 at January 31, 2011. On April 27, 2011, Levelland Hockley voluntarily filed for protection under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court, Northern District of Texas. As a result, we no longer can exercise significant influence over Levelland Hockley and began using the cost method of accounting. There has been no change in the carrying value of our investments in Levelland Hockley as a result of the change to the cost method of accounting.

Investment in Synthetic Fuel Partnerships

We had invested in three limited partnerships which owned facilities producing synthetic fuel. The partnerships earned federal income tax credits under Section 29/45K of the Internal Revenue Code based upon the tonnage and content of solid synthetic fuel produced and sold to unrelated parties. The Section 29/45K tax credit program expired on December 31, 2007. During fiscal year 2005, we sold our membership interest in a limited liability company that owned a synthetic fuel facility in Gillette, Wyoming. In addition to certain other payments, the Company was eligible to receive $1.50 per ton of qualified production produced by the facility and sold through December 2007. The plant was subsequently sold and during fiscal year 2006, the Company modified its agreement with the owners and operators of the synthetic fuel facility. During fiscal year 2011, a final payment of $2.9 million was received with respect to the qualified production . Income related to this payment was recognized during fiscal year 2011, as collectability of the amount became assured. We will not receive additional payments, or recognize additional income, from this investment.

Real Estate Operations

At January 31, 2012, we had lease agreements, as landlord, for six owned former retail stores (77,000 square feet). We have 16 owned former retail stores (206,000 square feet) that are vacant at January 31, 2012. We are marketing these vacant properties to lease or sell. In addition, one former distribution center is partially leased (221,000 square feet), partially occupied by our corporate office personnel (10,000 square feet) and partially vacant (246,000 square feet).

Retail

We completed the exit of our retail business during the second quarter of fiscal year 2009. We offered extended service contracts to our customers which typically provide, inclusive of manufacturers warranties, one to five years of warranty coverage. We plan to manage and administer these contracts over the life of the contracts. Service contract repair costs are charged to operations as incurred. We expect to continue recognizing extended service contract revenues and expenses (as discontinued operations) through January 2014, although the revenues will decline annually as we are no longer selling new contracts. We typically service a warranty claim through a network of third party repair and service providers. Warranty repair costs have been in the range of 13% to 25% of extended service contract revenue over the last three years; we expect these costs to average approximately 15% to 20% of extended service contract revenue in future years. Future expected amortization of deferred revenue and commission expense are as follows (amounts in thousands):

Years Ended January 31,	Deferred Revenue	Deferred Commission Expense
2013	$ 1,864	$ 565
2014	552	164
Total	$ 2,416	$ 729

Results of Operations

For a detailed analysis of period to period changes, see the segment discussion that follows this section as this is how management views and monitors our business.

Comparison of Fiscal Years Ended January 31, 2012 and 2011

Net Sales and Revenue Net sales and revenue in fiscal year 2011 were approximately $410.0 million, a 36.0% increase from approximately $301.4 million in fiscal year 2010. Net sales and revenue do not include sales from retail and real estate properties that have been sold and classified in discontinued operations. The increase was primarily caused by higher sales in our alternative energy segment of approximately $108.2 million. This increase is primarily a result of higher commodity prices during fiscal year 2011 and the acquisition of NuGen completed during the fourth quarter of fiscal year 2011. Net sales and revenue from our real estate segment increased $0.3 million over the prior year to approximately $1.3 million.

The following table reflects the approximate percent of net sales and revenue for each product and service group for the periods presented:

Product or Service Category	Fiscal Year 2011	2010	2009
Ethanol	82%	83%	82%
Distillers grains	18	16	17
Leasing		1	1
Total	100%	100%	100%

Gross Profit Gross profit was approximately $33.8 million in fiscal year 2011, or 8.3% of net sales and revenue, versus approximately $30.6 million in fiscal year 2010 or 10.2% of net sales and revenue. This represents an increase of approximately $3.2 million. Gross profit for fiscal year 2011 increased by approximately $4.0 million over the prior year as a result of operations in the alternative energy segment. Gross loss for fiscal year 2011 increased by approximately $0.8 million compared to the prior year from our real estate segment.

Selling, General and Administrative Expenses Selling, general and administrative expenses for fiscal year 2011 were approximately $10.4 million (2.5% of net sales and revenue), an increase of approximately $0.7 million or 6.7% from approximately $9.7 million (3.2% of net sales and revenue) for fiscal year 2010. Compared to the prior year, these expenses increased approximately $1.0 million in the alternative energy segment and decreased approximately $0.4 million in the corporate and other category.

Equity in Income of Unconsolidated Ethanol Affiliates During fiscal years 2011 and 2010, we recognized income of approximately $21.5 million and $14.6 million, respectively, from our equity investments in Big River, Patriot and NuGen. Big River has a plant with an annual nameplate capacity of 92 million gallons which has been in operation since 2004. Big River opened an additional plant with an annual nameplate capacity of 100 million gallons during the second quarter of fiscal year 2009, acquired a 50.5% ownership in a plant with an annual nameplate capacity of 100 million gallons in August 2009 and acquired a 100% ownership in a plant with an annual nameplate capacity of 55 million gallons in December 2011. Patriot has an ethanol facility with an annual nameplate capacity of 100 million gallons which has been in operation since the second quarter of fiscal year 2008. Effective November 1, 2011, we acquired an additional 50% equity interest in NuGen which operates an ethanol producing facility in Marion, South Dakota with an annual nameplate capacity of 100 million gallons. This acquisition increased our ownership in NuGen to 98%. We acquired our initial 48% equity interest in NuGen on July 1, 2010.

Income from Big River and Patriot in fiscal year 2011 was relatively consistent with fiscal year 2010 levels. Income from Big River was approximately $6.9 million and $5.4 million in fiscal years 2011 and 2010, respectively; Big River benefited in the current year from increases in by-product pricing and patronage dividends. Income from Patriot was approximately $5.3 million and $5.2 million in fiscal years 2011 and 2010, respectively.

Income from NuGen was approximately $9.3 million and $4.0 million in fiscal years 2011 and 2010, respectively. The increase results primarily from increased crush spreads realized and recognizing ten months of equity method income from NuGen in fiscal year 2011 versus six months of equity method income from NuGen in fiscal year 2010. Effective November 1, 2011, we ceased using the equity method of accounting for NuGen and began consolidating the results of NuGen.

Overall, we expect the trends in crush spread margins described in the Overview section to be generally consistent with the operating experience of Big River and Patriot as their results are dependent on the same key drivers (corn and natural gas pricing as well ethanol pricing).

Due to the inherent volatility of the crush spread, we cannot predict the likelihood of future operating results from Big River and Patriot being similar to the fiscal year 2011 results.

Impairment Charges and Loss on Deconsolidation During fiscal year 2010, we recognized losses totaling approximately $18.4 million related to the impairment of notes receivable from Levelland Hockley and the deconsolidation of Levelland Hockley. Effective January 31, 2011, we sold a portion of our equity interest in Levelland Hockley. As a result, we no longer have a controlling financial interest in Levelland Hockley, and, therefore, effective January 31, 2011, we deconsolidated Levelland Hockley and recorded our retained investment at fair value as of January 31, 2011. We recognized an impairment loss related to the notes receivable of approximately $8.9 million during fiscal year 2010. We also recognized a loss on deconsolidation of approximately $9.5 million during fiscal year 2010.

Bargain purchase gain, net On November 1, 2011, we acquired 50% of the outstanding membership units of NuGen, which resulted in us owning approximately 98% of the outstanding membership units in NuGen. We applied acquisition accounting for this business combination achieved in stages, and recognized a loss of approximately $5.4 million by remeasuring the fair value of our equity method investment at the acquisition date and a bargain purchase gain of approximately $9.0 million related to the fair value of the assets acquired less liabilities assumed exceeding our consideration given for such net assets.

Income from Synthetic Fuel Investments During fiscal year 2011 we received approximately $2.9 million as final payment related to the sale of our membership interest in a limited liability company that owned a synthetic fuel facility in Gillette, Wyoming. We will not receive nor recognize any additional amounts from the sale of our membership interest.

Interest Income Interest income of approximately $0.4 million for fiscal year 2011 was consistent with fiscal year 2010.

Interest Expense Interest expense decreased to approximately $3.5 million for fiscal year 2011 from approximately $5.6 million for fiscal year 2010. The decrease in interest expense was primarily attributable to the alternative energy segment as we had higher interest expense in fiscal year 2010 as a result of consolidating the results of Levelland Hockley for a majority of the prior year. The decrease was partially offset as a result of consolidating NuGen effective November 1, 2011.

Loss on Early Termination of Debt During fiscal years 2011 and 2010, we completed the early payoff of mortgage debt prior to maturity. As a result, we expensed certain unamortized financing costs and prepayment penalties of approximately $1,000 and $48,000 during fiscal years 2011 and 2010, respectively, as loss on early termination of debt.

Other Income Other income increased to approximately $0.6 million in fiscal year 2011 compared to approximately $0.3 million in fiscal year 2010. Income recognized by NuGen related to dividends paid by a co-operative during the current year is the primary reason for the increase. We do not expect other income to be significant in future periods.

Losses on Derivative Financial Instruments We recognized losses of approximately $1.1 million and $2.1 million during fiscal years 2011 and 2010, respectively, related to forward interest rate swaps that One Earth entered into during fiscal year 2007. One of the swaps expired in July 2011 and one expires in July 2014. In general, declining interest rates have a negative effect on our interest rate swaps as our swaps fixed the interest rate of variable rate debt. As interest rates declined during fiscal years 2011 and 2010, we incurred losses on the interest rate swap. Should interest rates continue to decline, we would expect to experience continued losses on the remaining interest rate swap. We would expect to incur gains on the interest rate swap should interest rates increase. We cannot predict the future movements in interest rates; thus, we are unable to predict the likelihood or amounts of future gains or losses related to the interest rate swap.

Income Taxes Our effective tax rate was 33.3% and 29.9% for fiscal years 2011 and 2010, respectively. Our effective rate is impacted by the noncontrolling interests of the companies we consolidate, as we recognize 100% of their income or loss in continuing operations before income taxes and noncontrolling interests. However, we only provide an income tax provision or benefit for our portion of the subsidiaries income or loss with a noncontrolling interest. In addition, our effective rate was favorably impacted by approximately 3% during the current year as a result of domestic production activities deductions resulting from operations at certain of our ethanol plants.

Income from Continuing Operations As a result of the foregoing, income from continuing operations was approximately $31.9 million for fiscal year 2011 versus approximately $7.1 million for fiscal year 2010.

Discontinued Operations During fiscal year 2009, we closed our remaining retail store and warehouse operations and reclassified all retail related results as discontinued operations. As a result of these closings and certain other retail store and real estate property closings from prior years, we had income from discontinued operations, net of taxes, of approximately $1.3 million in fiscal year 2011 compared to $1.5 million in fiscal year 2010. This income includes the amortization of deferred income related to extended service contracts sold when we operated the former retail segment. Eight properties classified as discontinued operations were sold during fiscal year 2011, resulting in a gain, net of taxes, of approximately $0.4 million. We sold or disposed of ten former retail store locations classified as discontinued operations in fiscal year 2010; as a result, we had a gain from disposal of discontinued operations, net of taxes, of approximately $0.2 million in fiscal year 2010. We expect income from discontinued operations to decline in future periods as our extended service plan activities wind down.

Noncontrolling Interests Income or (loss) related to noncontrolling interests was approximately $5.4 million and $3.7 million during fiscal years 2011 and 2010, respectively, and represents the owners (other than us) share of the income or loss of One Earth (full year of fiscal year 2011) and NuGen (fourth quarter of fiscal year 2011) and One Earth and Levelland Hockley (fiscal year 2010). Noncontrolling interests of One Earth and NuGen were approximately $5.2 million and $0.2 million, respectively, during fiscal year 2011. Noncontrolling interests of One Earth and Levelland Hockley were approximately $6.9 million and $(3.2) million, respectively, during fiscal year 2010.

Net Income Attributable to REX Common Shareholders As a result of the foregoing, net income attributable to REX common shareholders was $28.3 million for fiscal year 2011 compared to $5.1 million for fiscal year 2010.

Business Segment Results

We have two segments: alternative energy and real estate. The real estate segment was formerly included in the retail segment. For former retail stores and warehouses closed which we have a retained interest in the related real estate, operations are now presented in the real estate segment based upon when retail operations ceased. Historical results from retail store operations have been reclassified as discontinued operations for all periods presented.

The following sections discuss the results of operations for each of our business segments and corporate and other. As discussed in Note 19, our chief operating decision maker (as defined by Accounting Standards

Codification (ASC) 280 *Segment Reporting*) evaluates the operating performance of our business segments using a measure we call segment profit. Segment profit excludes income taxes, interest expense, discontinued operations, indirect interest income and certain other items that are included in net income determined in accordance with accounting principles generally accepted in the United States of America. Management believes these are useful financial measures; however, they should not be construed as being more important than other comparable GAAP measures.

Items excluded from segment profit generally result from decisions made by corporate executives. Financing, divestiture and tax structure decisions are generally made by corporate executives. Excluding these items from our business segment performance measure enables us to evaluate business segment operating performance based upon current economic conditions. Amounts in the corporate category below include business activities that are not separately reportable and income from synthetic fuel investments. (Amounts in thousands):

	Years Ended January 31,		
	2012	**2011**	**2010**
Net sales and revenues:			
Alternative energy	$ 408,635	$ 300,389	$ 169,175
Real estate	1,317	1,018	602
Total net sales and revenues	$ 409,952	$ 301,407	$ 169,777
Segment gross profit (loss):			
Alternative energy	$ 35,179	$ 31,173	$ 21,923
Real estate	(1,343)	(543)	(1,041)
Total gross profit	$ 33,836	$ 30,630	$ 20,882
Segment profit (loss):			
Alternative energy segment	$ 48,580	$ 13,403	$ 17,811
Real estate	(1,539)	(770)	(1,225)
Corporate expenses	(2,307)	(2,724)	(1,870)
Interest expense	(111)	(205)	(338)
Interest income	319	372	263
Income from synthetic fuel investments	2,883		
Income from continuing operations before income taxes	$ 47,825	$ 10,076	$ 14,641

Alternative Energy

The alternative energy segment includes the consolidated financial results of One Earth and NuGen, our other investments in ethanol facilities, the income or loss related to those investments and certain administrative expenses. One Earth began limited production operations late in the second quarter of fiscal year 2009 and became fully operational during the third quarter of fiscal year 2009. Effective November 1, 2011, we obtained a controlling financial interest in NuGen. Thus, we began consolidating the results of NuGen prospectively as of the acquisition date. Prior to November 1, 2011, we used the equity method of accounting to account for the results of NuGen. Effective January 31, 2011, we sold a portion of our ownership interest in Levelland Hockley. As a result, we no longer have a controlling financial interest in

Levelland Hockley, and therefore, we deconsolidated Levelland Hockley effective January 31, 2011. The results of Levelland Hockley are consolidated in the accompanying Consolidated Statements of Operations and Consolidated Statements of Cash Flows during fiscal years 2010 and 2009. The assets, liabilities and equity of Levelland Hockley are deconsolidated in the accompanying Consolidated Balance Sheets as of January 31, 2012 and 2011.

The following table summarizes sales from One Earth, NuGen and Levelland Hockley, by product group during periods of consolidation (amounts in thousands):

	Years Ended January 31, 2012	2011
Ethanol	$ 333,599	$ 250,818
Dried distillers grains	71,663	41,625
Other	3,373	7,946
Total	$ 408,635	$ 300,389

The following table summarizes selected operating data from One Earth, NuGen and Levelland Hockley during periods of consolidation:

	Years Ended January 31, 2012	2011
Average selling price per gallon of ethanol	$ 2.49	$ 1.81
Average selling price per ton of dried distillers grains	$ 196.46	$ 126.25
Average cost per bushel of grain	$ 6.66	$ 4.10
Average cost of natural gas (per mmbtu)	$ 4.88	$ 4.80

Net sales and revenue for the current year increased approximately $108.2 million over the prior year to approximately $408.6 million, primarily as a result of increases in ethanol and dried distillers grains prices during the current year and the consolidation of NuGen s results effective November 1, 2011, which was partially offset by including the results of Levelland Hockley in the prior year. Ethanol sales increased from approximately $250.8 million in the prior year to approximately $333.6 million in the current year. The average selling price per gallon of ethanol increased from $1.81 in the prior year to $2.49 in the current year. Our ethanol sales were based upon approximately 134.0 million gallons in the current year compared to approximately 138.3 million gallons in the prior year. Dried distillers grains sales increased from approximately $41.6 million in the prior year to approximately $71.7 million in the current year. The average selling price per ton of dried distillers grains increased from $126.25 in the prior year to $196.46 in the current year. Our dried distillers grains sales were based upon approximately 365,000 tons in the current year compared to approximately 327,000 tons in the prior year.

We expect that sales in future periods will be based upon the following (One Earth and NuGen only):

Product	Annual Sales Quantity
Ethanol	200 million to 230 million gallons
Dried distillers grains	580,000 to 620,000 tons
Corn Oil	30 million to 40 million pounds

This expectation assumes that One Earth and NuGen will continue to operate at or near nameplate capacity, which is dependent upon the crush spread realized. This expectation also assumes that we will not consolidate any other ethanol plants.

Gross profit from alternative energy segment sales was approximately $35.2 million during the current year compared to approximately $31.2 million during the prior year. Gross profit improved primarily because of the prior year results including those of Levelland Hockley which produced at approximately 75% of capacity, and, thus was very inefficient with respect to gross profit. Grain accounted for approximately 84.6% ($316.0 million) of our cost of sales during the current year compared to 76.8% ($206.9 million) during the prior year. Natural gas accounted for approximately 5.0% ($18.6 million) of our cost of sales during the current year compared to 7.0% ($19.0 million) during the prior year. Given the inherent volatility in ethanol and grain prices, we cannot predict the trend of the spread between ethanol and grain prices in future periods compared to historical periods.

We attempt to match quantities of ethanol and distillers grains sale contracts with an appropriate quantity of grain purchase contracts over a given period of time when we can obtain an adequate gross margin resulting from the crush spread inherent in the contracts we have executed. However, the market for future ethanol sales contracts is not a mature market. Consequently, we generally execute contracts for no more than three months into the future at any given time. As a result of the relatively short period of time our contracts cover, we generally cannot predict the future movements in the crush spread for more than three months. Less than 1% of our forecasted ethanol sales and approximately 9% of our forecasted distillers grains sales during the next 12 months has been sold under fixed-price contracts. As a result of these positions, the effect of a 10% adverse change in the price of ethanol and distillers grains from the current pricing would result in a decrease in revenues of approximately $42.5 million and $10.9 million, respectively. Similarly, approximately 1% of our estimated corn usage for the next 12 months was subject to fixed-price contracts. As a result of these positions, the effect of a 10% adverse change in the price of corn from current pricing would result in an increase in cost of sales of approximately $44.6 million.

Selling, general and administrative expenses were approximately $7.8 million in fiscal year 2011, a $1.0 million increase from approximately $6.8 million in fiscal year 2010. A majority of the increase results from higher incentive compensation expense related to higher segment profitability during the current fiscal year. We expect selling, general and administrative expenses in future years to increase by approximately $4.0 million to $4.5 million over the current year level as future results will include a full year of consolidated results of NuGen.

Income from equity method investments in Big River, Patriot and NuGen increased from approximately $14.6 million in the prior year to approximately $21.5 million in the current year.

We recognized approximately $6.9 million of income from Big River in fiscal year 2011 which is approximately $1.5 million above the prior year amount of approximately $5.4 million. Big River benefited in the current year from increases in by-product pricing and patronage dividends.

We recognized approximately $5.3 million of income from Patriot in fiscal year 2011, which is consistent with the approximately $5.2 million in the prior year.

We recognized approximately $9.3 million of income from NuGen in fiscal year 2011, which is approximately $5.3 million higher than the approximately $4.0 million in the prior year. The increase results primarily from increased crush spreads realized and recognizing ten months of equity method income from NuGen in fiscal year 2011 versus six months of equity method income from NuGen in fiscal year 2010. As we consolidate the results of NuGen effective November 1, 2011, we will not recognize income under the equity method for the results of NuGen in future periods.

Given the inherent volatility in the factors that affect the crush spread, we cannot predict the likelihood that the trend with respect to income from equity method investments will continue in future periods.

During fiscal year 2010, we recognized losses totaling approximately $18.4 million related to the impairment and deconsolidation of Levelland Hockley. Effective January 31, 2011, we sold a portion of our equity interest in Levelland Hockley. As a result, we no longer have a controlling financial interest in Levelland Hockley, and, therefore, effective January 31, 2011, we deconsolidated Levelland Hockley and recorded our retained investment in Levelland Hockley at fair value as of January 31, 2011. We recognized an impairment loss on our note receivable of approximately $8.9 million during fiscal year 2010. We also recognized a loss on deconsolidation of approximately $9.5 million during fiscal year 2010.

On November 1, 2011, we acquired 50% of the outstanding membership units of NuGen, which resulted in us owning approximately 98% of the outstanding membership units in NuGen. We applied acquisition accounting for this business combination achieved in stages, and recognized a loss of approximately $5.4 million by remeasuring the fair value of our equity method investment at the acquisition date and a bargain purchase gain of approximately $9.0 million related to the fair value of the assets acquired less liabilities assumed exceeding our consideration given for such net assets.

Interest expense decreased approximately $2.0 million in the current year from the prior year to approximately $3.4 million, as we no longer consolidate Levelland Hockley. Based on current interest rates and debt levels, we expect interest expense to be in the range of $4.0 million to $4.5 million in fiscal year 2012.

Other income increased to approximately $0.6 million in fiscal year 2011 compared to approximately $0.3 million in fiscal year 2010. Income recognized by NuGen related to dividends paid by a co-operative during the current year is the primary reason for the increase. We do not expect other income to be significant in future periods.

Losses on derivative financial instruments held by One Earth were approximately $1.1 million in the current year compared to approximately $2.1 million in the prior year. Since the gains or losses on these derivative financial instruments are primarily a function of the movement in interest rates, we cannot predict the likelihood that such gains or losses in future periods will be consistent with current year results.

As a result of the factors discussed above, segment profit increased to $48.6 million in the current year from $13.4 million in the prior year.

Real Estate

The real estate segment includes all owned and sub-leased real estate including those previously used as retail store and distribution center operations, our real estate leasing activities and certain administrative expenses. It excludes results from discontinued operations.

At January 31, 2012, we had lease agreements, as landlord, for six owned former retail stores (77,000 square feet). We have 16 owned former retail stores (206,000 square feet) that are vacant at January 31, 2012. We are marketing these vacant properties to lease or sell. In addition, one former distribution center is partially leased (221,000 square feet), partially occupied by our corporate office personnel (10,000 square feet) and partially vacant (246,000 square feet).

Net sales and revenue for the current year increased approximately $0.3 million over the prior year to approximately $1.3 million. The increase in revenue is primarily a result of a lease for a portion of a distribution center that was executed during the fourth quarter of fiscal year 2010. Gross loss from this segment was approximately $1.3 million during the current year compared to approximately $0.5 million during the prior year. Gross loss increased primarily as a result of impairment charges of approximately $1.2 million in the current year compared to approximately $0.2 million in the prior year. We expect lease revenue in fiscal year 2012 to be consistent with fiscal year 2011 based upon leases currently executed.

Selling, general and administrative expenses were approximately $0.3 million in fiscal year 2011, consistent with the $0.2 million in fiscal year 2010. We expect selling, general and administrative expenses in future periods to remain consistent with comparable historical periods.

As a result of the factors discussed above, segment loss was approximately $1.5 million in the current year compared to approximately $0.8 million in the prior year. Excluding any property sales that may occur in fiscal year 2012, we expect to generate another segment loss in fiscal year 2012 based upon the current number of vacant properties.

Corporate and Other

Corporate and other includes certain administrative expenses of the corporate headquarters, interest expense and interest income not directly allocated to the alternative energy or real estate segments and income from synthetic fuel investments.

Selling, general and administrative expenses were approximately $2.3 million in the current year consistent with the approximately $2.7 million of expenses in the prior year. We expect selling, general and administrative expenses in future periods to be consistent with current year levels.

Interest expense of approximately $0.1 million in the current year is consistent with prior year expense.

Interest income of approximately $0.3 million in the current year is consistent with prior year income.

Comparison of Fiscal Years Ended January 31, 2011 and 2010

Net Sales and Revenue Net sales and revenue in fiscal year 2010 were approximately $301.4 million, a $131.6 million increase from approximately $169.8 million in fiscal year 2009. Net sales and revenue do not include sales from retail and real estate operations classified in discontinued operations. The increase was primarily caused by higher sales in our alternative energy segment of approximately $131.2 million and a full year of production at our One Earth facility. Net sales and revenue from our real estate segment increased approximately $0.4 million over the prior year to approximately $1.0 million.

Gross Profit Gross profit was approximately $30.6 million in fiscal year 2010 versus approximately $20.9 million for fiscal year 2009. This represents an increase of approximately $9.7 million. Gross profit for fiscal year 2010 increased by approximately $9.3 million over the prior year as a result of operations in the alternative energy segment. Our real estate segment had gross loss for fiscal year 2010 of approximately $0.5 million compared to approximately $1.0 million in the prior year.

Selling, General and Administrative Expenses Selling, general and administrative expenses for fiscal year 2010 were approximately $9.7 million (3.2% of net sales and revenue), an increase of approximately $3.6 million or 57.8% from approximately $6.2 million (3.6% of net sales and revenue) for fiscal year 2009. Compared to the prior year, these expenses increased approximately $2.6 million and $0.9 million in the alternative energy segment and the corporate and other category, respectively.

Equity in Income of Unconsolidated Ethanol Affiliates During fiscal years 2010 and 2009, we recognized income of approximately $14.6 million and approximately $6.0 million, respectively from our equity investments in Big River, Patriot and NuGen. Big River has a plant with an annual nameplate capacity of 92 million gallons which has been in operation since 2004. Big River opened an additional plant with an annual nameplate capacity of 100 million gallons during the second quarter of fiscal year 2009 and acquired a 50.5% ownership in a plant with an annual nameplate capacity of 100 million gallons in August 2009. Patriot has an ethanol facility with an annual nameplate capacity of 100 million gallons which has been in operation since the second quarter of fiscal year 2008. Effective July 1, 2010, we acquired a 48% equity interest in NuGen which operates an ethanol production facility in Marion South Dakota, with an annual nameplate capacity of 100 million gallons.

Income from Big River was approximately $5.4 million and approximately $2.5 million in fiscal years 2010 and 2009, respectively. Although our proportionate 10% share of income from Big River has been consistent over the prior two years, Big River benefited in fiscal year 2010 from a full year of production at its Big River Galva and Big River United Energy facilities.

We recorded income of approximately $5.2 million and approximately $3.5 million from Patriot in fiscal years 2010 and 2009, respectively. Patriot experienced a decline in interest expense of approximately $2.2 million, as its term debt is variable rate debt, and interest rates declined in fiscal year 2010. Patriot also recognized a gain on the early extinguishment of debt of approximately $1.9 million.

We recognized approximately $4.0 million of income from NuGen in fiscal year 2010. This was the first year we reported income from NuGen given that the acquisition of our interest in NuGen was effective July 1, 2010.

Impairment Charges and Loss on Deconsolidation During fiscal year 2010, we recognized losses totaling approximately $18.4 million related to the impairment of notes receivable from Levelland Hockley and the deconsolidation of Levelland Hockley. Effective January 31, 2011, we sold a portion of our equity interest in Levelland Hockley. As a result we no longer have a controlling financial interest in Levelland Hockley, and, therefore, effective January 31, 2011, we deconsolidated Levelland Hockley and recorded our retained investment in Levelland Hockley at fair value as of January 31, 2011. We recognized an impairment loss related to the notes receivable of approximately $8.9 million during fiscal year 2010. We also recognized a loss on deconsolidation of approximately $9.5 million during fiscal year 2010.

Interest Income Interest income of approximately $0.4 million for fiscal year 2010 was consistent with the prior year.

Interest Expense Interest expense increased to approximately $5.6 million for fiscal year 2010 from approximately $4.7 million for fiscal year 2009. The increase in interest expense was primarily attributable to the alternative energy segment as we had higher amounts of average debt outstanding upon the completion of One Earth s ethanol plant and that we are no longer capitalizing interest costs.

Loss on Early Termination of Debt During fiscal years 2010 and 2009, we completed the early payoff of approximately $0.4 million and $8.0 million, respectively, of mortgage debt prior to maturity. As a result, we expensed certain unamortized financing costs and prepayment penalties of approximately $48,000 and $89,000 during fiscal years 2010 and 2009, respectively.

Other Income During fiscal year 2009, Levelland Hockley received notification from the United States Department of Agriculture that Levelland Hockley had been approved to receive funds under the Advanced Biofuel Producer Program. As a result, approximately $0.3 million was recognized as other income during fiscal year 2010. We recognized approximately $0.5 million of other income from this grant during fiscal year 2009.

During fiscal year 2009, Levelland Hockley entered into an agreement to settle litigation and received $1.5 million as a condition of the settlement. Of the proceeds received, approximately $0.3 million was recognized as other income during fiscal year 2009.

Losses on Derivative Financial Instruments We recognized losses of approximately $2.1 million and $2.5 million during fiscal years 2010 and 2009, respectively, related to forward interest rate swaps that Levelland Hockley and One Earth entered into during fiscal year 2007. During fiscal year 2010, Levelland Hockley s loss was insignificant and One Earth s loss was approximately $2.1 million. Levelland Hockley s swap expired in April 2010 while One Earth s swaps expire in July 2011 and July 2014. Since the gains or losses on these derivative financial instruments are primarily a function of the movement in interest rates, we cannot predict the likelihood that such gains or losses in future periods will be consistent with fiscal year 2010 results.

Income Taxes Our effective tax rate was 29.9% and 31.3% for fiscal years 2010 and 2009, respectively. Our effective tax rate is impacted by the noncontrolling interests of the companies we consolidate, as we recognize 100% of their income or loss in continuing operations before income taxes and noncontrolling interests. However, we only provide an income tax provision for our portion of subsidiaries income or loss with a noncontrolling interest.

Loss/Income from Continuing Operations As a result of the foregoing, income from continuing operations was approximately $7.1 million for fiscal year 2010 versus approximately $10.1 million for fiscal year 2009.

Discontinued Operations During fiscal year 2009, we closed our remaining retail store and warehouse operations and reclassified them as discontinued operations. As a result of these closings and certain other retail store and real estate property closings from prior years, we had income from discontinued operations, net of tax benefit, of approximately $1.5 million in fiscal year 2010 compared to approximately $1.3 million in fiscal year 2009. We sold ten properties classified as discontinued operations in fiscal year 2010 compared to selling or disposing of five properties in fiscal year 2009. As a result, we had a gain from disposal of discontinued operations, net of a tax provision, of approximately $0.2 million in fiscal year 2010 compared to approximately $1.2 million in fiscal year 2009.

Noncontrolling Interests Income or (loss) related to noncontrolling interests was approximately $3.7 million and approximately $3.9 million for fiscal years 2010 and 2009, respectively, and represents the owners (other than us) share of the income or loss of Levelland Hockley and One Earth. Noncontrolling interests of Levelland Hockley and One Earth was approximately $(3.2) million and approximately $6.9 million, respectively during fiscal year 2010 and approximately $1.4 million and approximately $2.5 million, respectively during fiscal year 2009.

Net Loss/Income Attributable to REX Common Shareholders As a result of the foregoing, net income attributable to REX common shareholders was approximately $5.1 million for fiscal year 2010 compared to approximately $8.7 million for fiscal year 2009.

In addition to the information discussed above, the following sections discuss the results of operations for each of our business segments and corporate and other.

Alternative Energy

The alternative energy segment includes the consolidated financial statements of Levelland Hockley and One Earth, our other investments in ethanol facilities, the income related to those investments and certain administrative expenses. One Earth began limited production operations late in the second quarter of fiscal year 2009 and became fully operational during the third quarter of fiscal year 2009.

The following table summarizes sales from Levelland Hockley and One Earth by product group (amounts in thousands):

	Years Ended January 31, 2011	2010
Ethanol	$ 250,818	$ 140,443
Dried distillers grains	41,625	20,223
Other	7,946	8,509
Total	$ 300,389	$ 169,175

The following table summarizes selected operating data from Levelland Hockley and One Earth:

	Years Ended January 31, 2011	2010
Average selling price per gallon of ethanol	$ 1.81	$ 1.68
Average selling price per ton of dried distillers grains	$ 126.25	$ 112.29
Average cost per bushel of grain	$ 4.10	$ 3.58
Average cost of natural gas (per mmbtu)	$ 4.80	$ 4.28

Net sales and revenue for fiscal year 2010 increased by approximately $131.2 million over the prior year to approximately $300.4 million, primarily a result of One Earth becoming fully operational during the third quarter of fiscal year 2009. Ethanol sales increased from approximately $140.4 million in the prior year to approximately $250.8 million in the current year. The average selling price per gallon of ethanol increased from $1.68 in the prior year to $1.81 in fiscal year 2010. Our ethanol sales were based upon approximately 138.3 million gallons in fiscal year 2010 compared to approximately 83.6 million gallons in the prior year. Dried distillers grains sales increased from approximately $20.2 million in the prior year to approximately $41.6 million in fiscal year 2010. The average selling price per ton of dried distillers grains increased from $112.29 in the prior year to $126.25 in fiscal year 2010. Our dried distillers grains sales were based upon approximately 327,000 tons in fiscal year 2010 compared to approximately 180,000 tons in the prior year.

Gross profit from these sales was approximately $31.2 million during fiscal year 2010 compared to approximately $21.9 million during fiscal year 2009. Gross profit improved primarily because of the volume increases in ethanol and distillers grains sold discussed above. This was offset slightly by a less favorable spread between ethanol and grain prices during fiscal year 2010 compared to fiscal year 2009.

Selling, general and administrative expenses were approximately $6.8 million in fiscal year 2010, a $2.7 million increase from approximately $4.1 million in fiscal year 2009. We recognized higher selling expenses of approximately $1.5 million at One Earth as One Earth was in production for the full year in fiscal year 2010.

During fiscal year 2010, we recognized losses totaling approximately $18.4 million related to the impairment of notes receivable from Levelland Hockley and the deconsolidation of Levelland Hockley. Effective January 31, 2011, we sold a portion of our equity interest in Levelland Hockley. As a result we no longer have a controlling financial interest in Levelland Hockley, and, therefore, effective January 31, 2011, we deconsolidated Levelland Hockley and recorded our retained investment in Levelland Hockley at fair value as of January 31, 2011. We recognized an impairment loss related to the notes receivable of approximately

$8.9 million during fiscal year 2010. We also recognized a loss on deconsolidation of approximately $9.5 million during fiscal year 2010.

Interest expense increased approximately $0.9 million in fiscal year 2010 compared to fiscal year 2009 to approximately $5.4 million, as we no longer capitalize interest on the One Earth credit facility subsequent to the commencement of operations at the plant.

Income from equity method investments in Big River, Patriot and NuGen increased from approximately $6.0 million in fiscal year 2009 to approximately $14.6 million in fiscal year 2010. We recognized approximately $5.4 million of income from our investment in Big River in fiscal year 2010 which is approximately $2.9 million above the prior year amount of approximately $2.5 million. Big River benefited in the current year from a full year of production at its Big River Galva and Big River United energy facilities during fiscal year 2010.

We recognized approximately $5.2 million of income from our investment in Patriot in fiscal year 2010, which is approximately $1.7 million higher than the approximately $3.5 million in fiscal year 2009. Patriot experienced a decline in interest expense of approximately $2.2 million, as its term debt is variable rate debt, and interest rates declined in fiscal year 2010. Patriot also recognized a gain on the early extinguishment of debt of approximately $1.9 million.

We recognized approximately $4.0 million of income from NuGen in fiscal year 2010. This was the first year we reported income from NuGen given that the acquisition of our interest in NuGen was effective July 1, 2010.

Losses on derivative financial instruments held by One Earth and Levelland were approximately $2.1 million in fiscal year 2010 compared to approximately $2.5 million in fiscal year 2009. Since the gains or losses on the derivative financial instruments are primarily a function of the movement in interest rates, we cannot predict the likelihood that such gains or losses in future periods will be consistent with the fiscal year 2010 results.

As a result of the factors discussed above, segment profit decreased to approximately $13.4 million in fiscal year 2010 from approximately $17.8 million in fiscal year 2009.

Real Estate

The real estate segment includes all owned and sub-leased real estate including those previously used as retail store and distribution center operations, our real estate leasing activities and certain administrative expenses. It excludes results from discontinued operations.

At January 31, 2011, we had lease agreements, as landlord, for all or parts of eight former retail stores (88,000 square feet leased and 10,000 square feet vacant). We have 22 owned former retail stores (281,000 square feet), that are vacant at January 31, 2011. We are marketing these vacant properties to lease or sell. In addition, one former distribution center is partially leased (266,000 square feet), partially occupied by our corporate office personnel (10,000 square feet) and partially vacant (190,000 square feet).

Net sales and revenue for fiscal year 2010 of approximately $1.0 million increased approximately $0.4 million over the fiscal year 2009 amount of approximately $0.6 million. The increase in revenue is primarily a result of a lease for a portion of a distribution center that was executed during the fourth quarter of fiscal year 2009.

Gross loss from this segment was approximately $0.5 million during fiscal year 2010 compared to approximately $1.0 million during fiscal year 2009. Gross loss improved as a result of the increase in revenue discussed above.

Selling, general and administrative expenses were approximately $229,000 in fiscal year 2010, consistent with the $183,000 in fiscal year 2009.

As a result of the factors discussed above, segment loss was approximately $0.8 million in fiscal year 2010 compared to approximately $1.2 million in the prior year.

Corporate and Other

Selling, general and administrative expenses were approximately $2.7 million in fiscal year 2010 compared to approximately $1.9 million in fiscal year 2009. Professional fees increased approximately $0.3 million over the prior year. The remainder of the fluctuation results from increases in most general and administrative categories.

Interest expense of approximately $0.2 million in fiscal year 2010 is consistent with the expense in the prior year.

Interest income of approximately $0.4 million in fiscal year 2010 is consistent with the income in the prior year.

Liquidity and Capital Resources

Our primary sources of financing have been income from operations, sales of real estate and debt financing. Our primary uses of cash have been investments in ethanol entities, construction of ethanol plants, long term debt repayments and stock repurchases.

Outlook Our cash balance of approximately $75.0 million includes approximately $28.9 million held by One Earth and NuGen. Pursuant to their debt agreements, One Earth and NuGen are limited with respect to paying dividends. Thus, we expect that One Earth and NuGen will use a majority of their cash for working capital and debt service needs. All of our ethanol investments have significant amounts of long term debt and we expect these organizations to limit the payment of dividends based upon working capital needs, debt service requirements and the requirements of their respective loan agreements. Debt service payments in excess of scheduled amounts related to ethanol debt is the result of excess cash sweeps that are required pursuant to the respective ethanol plant s debt agreement and are based upon percentages of profitability.

We continue to investigate investment opportunities in various companies and industries. Another possible use of our excess cash is to repurchase our common stock. We typically repurchase our common stock when our stock price is trading at prices we deem to be a discount to the underlying value of our net assets. Historically, we have not incurred additional borrowings to fund repurchases of our common stock. We also plan to seek and evaluate other various investment opportunities including energy related, agricultural or other ventures we believe fit our investment criteria. We can make no assurances that we will be successful in our efforts to find such opportunities.

During the first quarter of fiscal year 2012, we expect our financial performance from our ethanol plants to decline compared to the fourth quarter of fiscal year 2011 as the crush spread has decreased from 2011 levels. The near month crush spread (determined by information on CBOT) averaged approximately $(0.06) per gallon of ethanol during the first quarter of fiscal year 2012 compared to approximately $0.14 per gallon of ethanol during calendar year 2011.

Operating Activities Net cash provided by operating activities was approximately $34.9 million for fiscal year 2011 compared to $27.9 million in fiscal year 2010. During fiscal year 2011, operating cash flow was provided by net income of approximately $33.7 million including real estate impairment charges of approximately $1.2 million and other adjustments to net income of approximately $(7.2) million, which consist of depreciation and amortization, income from equity method ethanol investments, bargain purchase gain, net, income from synthetic fuel investments, derivative financial instruments, gain on disposal of real estate and property and equipment, deferred income and the deferred income tax provision. Cash was provided by dividends received from our equity method investees (as returns on investment) of approximately $4.9 million, primarily a result of continued profitability at these entities. Additionally, cash was provided by a refund on income taxes of approximately $7.9 million resulting from net operating losses carried back to prior years. Accounts receivable decreased approximately $4.2 million, primarily a result of the timing of products shipped and the receipt of customer payments at One Earth and NuGen. Other liabilities increased approximately $1.9 million, primarily a result of increased accrued incentive compensation expenses associated with the increase in profitability in the current year and an increase in accrued natural gas taxes. Prepaid expenses and other assets decreased approximately $1.1 million, primarily as a result of decreases in deferred commission expense related to extended warranty plans sold when we operated our former retail segment. Inventory increased approximately $14.0 million, primarily a result of One Earth utilizing additional grain storage facilities for which construction was completed in fiscal year 2011 and an increase in grain prices over fiscal year 2010. Accounts payable increased approximately $1.2 million, primarily a result of inventory receipts and timing of vendor payments.

Net cash provided by operating activities was approximately $27.9 million for fiscal year 2010. During fiscal year 2010, operating cash flow was provided by net income of approximately $8.7 million including the impact of Levelland Hockley related impairment charges and the loss on deconsolidation of approximately $16.1 million, real estate impairment charges of approximately $1.0 million and non-cash items of approximately $(0.9) million, which consist of deferred income, the deferred income tax provision, gain on disposal of real estate and property and equipment, income from ethanol investments, and depreciation and amortization. Cash was provided by dividends received from our equity method investees (as returns on investment) of approximately $5.0 million, primarily a result of increased profitability at these entities. Additionally, cash was provided by a refund on income taxes of approximately $4.3 million resulting from net operating losses carried back to prior years. Accounts receivable increased approximately $2.5 million, primarily a result of the timing of products shipped and the receipt of customer payments at One Earth. Prepaid expense and other assets increased approximately $1.1 million, primarily as a result of an increase in property taxes receivable that One Earth pays and then receives a partial rebate from various taxing authorities in connection with a tax increment financing district. Other liabilities decreased approximately $1.7 million, primarily a result of payments we made related to our contingent consideration liability associated with the NuGen acquisition. Other long term assets increased approximately $0.9 million, primarily a result of an increase in property taxes receivable that One Earth pays and then receives a partial rebate from various taxing authorities in connection with a tax increment financing district and an increase in various deposits One Earth is required to maintain with utility vendors.

Investing Activities Net cash provided by investing activities was approximately $10.6 million during fiscal year 2011 compared to cash used of approximately $5.8 million for fiscal year 2010. Capital expenditures in fiscal year 2011 totaled approximately $7.3 million, the majority of which was for the construction of corn oil extraction equipment at the One Earth and NuGen ethanol plants. We received approximately $2.9 million as a final payment on the sale (in a prior year) of our interest in a synthetic fuel partnership. We will not receive additional payments in future periods related to this sale. We used cash of approximately $1.9 million for the purchase of an additional ownership interest in Patriot. The acquisition of NuGen provided cash of approximately $12.3 million which was primarily a result of NuGen s cash position at the time we acquired NuGen exceeding the cash we paid as consideration. Cash of approximately $4.4 million was provided by proceeds from the sale of real estate and property and equipment.

Net cash used in investing activities was approximately $5.8 million during fiscal year 2010. Capital expenditures in fiscal year 2010 totaled approximately $6.0 million, the majority of which was for the construction of additional corn storage at One Earth s ethanol plant. We used cash of approximately $9.2 million for our acquisition of NuGen. Cash of approximately $8.0 million was provided by proceeds from the sale of real estate and property and equipment. We received cash of approximately $1.0 million as Patriot repaid the remaining balance on their note payable to us.

Financing Activities Net cash used in financing activities was approximately $61.5 million during fiscal year 2011 compared to approximately $31.5 million for fiscal year 2010. During fiscal year 2011, repayments of debt were approximately $35.7 million. Stock option exercises in fiscal year 2011 generated cash of approximately $0.4 million. We used cash of approximately $0.6 million to pay for loan fees associated with NuGen s long term debt refinancing. We used cash of approximately $2.1 million to purchase shares from and pay dividends to noncontrolling members of One Earth. We do not expect such payments to noncontrolling members of One Earth to increase significantly in fiscal year 2012. We used cash of approximately $1.3 million to repay the contingent consideration liability related to the initial acquisition of NuGen in fiscal year 2010. During fiscal year 2011, we purchased approximately 1.3 million shares of our common stock for approximately $22.2 million in open market transactions.

Net cash used in financing activities was approximately $31.5 million for fiscal year 2010. During fiscal year 2010, repayments of debt totaled approximately $24.8 million. Stock option exercises in fiscal year 2010 generated cash of approximately $1.5 million. During fiscal year 2010, we purchased approximately 0.5 million shares of our common stock for approximately $8.2 million in open market transactions.

At January 31, 2012, we had a remaining authorization from our Board of Directors to purchase 162,455 shares of our common stock. We plan to hold all acquired shares in treasury for possible future use.

At January 31, 2012, we had approximately $123.7 million of debt outstanding at a weighted average interest rate of approximately 3.7%, with maturities from July 2014 to October 2016. During fiscal year 2011, we refinanced approximately $63.5 million after acquiring NuGen. During fiscal year 2011, we paid off approximately $35.7 million of long-term mortgage debt from scheduled repayments and early payoffs. During fiscal year 2010, we paid off approximately $24.8 million of long-term debt from scheduled repayments and early payoffs.

One Earth Subsidiary Level Debt

In September 2007, One Earth entered into a $111,000,000 financing agreement consisting of a construction loan agreement for $100,000,000 together with a $10,000,000 revolving loan and a $1,000,000 letter of credit with First National Bank of Omaha. The construction loan was converted into a term loan on July 31, 2009. The term loan bears interest at variable interest rates ranging from LIBOR plus 300 basis points to LIBOR plus 310 basis points (3.1% to 3.3% at January 31, 2012). Beginning with the first quarterly payment on October 8, 2009, payments are due in 19 quarterly payments of principal plus accrued interest with the principal portion calculated based on a 120 month amortization schedule. One final installment will be required on the maturity date (July 31, 2014) for the remaining unpaid principal balance with accrued interest. This debt is recourse only to One Earth and not to REX American Resources Corporation or any of its other subsidiaries.

Borrowings are secured by all property of One Earth. As of January 31, 2012, approximately $69.1 million was outstanding on the term loan. One Earth is also subject to certain financial covenants under the loan agreement, including required levels of EBITDA, debt service coverage ratio requirements, net worth requirements and other common covenants. One Earth was in compliance with all covenants at January 31, 2012. One Earth paid approximately $1,364,000 in costs related to obtaining its financing arrangement.

These costs are recorded as prepaid loan fees and are being amortized over the loan term. At January 31, 2012, our proportionate share of restricted assets related to One Earth was approximately $14.5 million. Such assets may not be paid in the form of dividends or advances to the parent company or other members of One Earth per the terms of the loan agreement with First National Bank of Omaha.

One Earth has no outstanding borrowings on the $10,000,000 revolving loan as of January 31, 2012. One Earth also has access to a secondary revolving loan with First National Bank of Omaha, established as part of the original $100,000,000 term loan and made accessible as a revolving loan as term loan payments were made. The amount available is reduced by $250,000 on a quarterly basis as well as by 20% of excess cash flow calculated at year end pursuant to the debt covenant calculations of the loan agreement. At January 31, 2012 and 2011, One Earth had $2,671,000 and $5,384,000, respectively, available on the secondary revolving loan. One Earth does not have any borrowings on the secondary revolving loan at January 31, 2012 or 2011.

NuGen Subsidiary Level Debt

In November 2011, NuGen entered into a $65,000,000 financing agreement consisting of a term loan agreement for $55,000,000 and a $10,000,000 revolving loan with First National Bank of Omaha. The term loan bears interest at a variable interest rate of LIBOR plus 325 basis points, subject to a 4% floor. Beginning with the first quarterly payment on February 1, 2012, payments are due in 20 quarterly payments of principal plus accrued interest with the principal portion calculated based on a 120 month amortization schedule. One final installment will be required on the maturity date (October 31, 2016) for the remaining unpaid principal balance with accrued interest. This debt is recourse only to NuGen and not to REX American Resources Corporation or any of its other subsidiaries.

Borrowings are secured by all property of NuGen. As of January 31, 2012, approximately $53.6 million was outstanding on the term loan. NuGen is also subject to certain financial covenants under the loan agreement, including required levels of EBITDA and working capital, debt service coverage ratio requirements, and other common covenants. NuGen was in compliance with all covenants, as applicable, at January 31, 2012. NuGen paid approximately $0.6 million in costs related to obtaining its financing arrangement. These costs are recorded as prepaid loan fees and are being amortized over the loan term. At January 31, 2012, our proportionate share of restricted assets related to NuGen was approximately $3.6 million. Such assets may not be paid in the form of dividends or advances to the parent company or other members of NuGen per the terms of the loan agreement with First National Bank of Omaha.

NuGen has no outstanding borrowings on the $10,000,000 revolving loan as of January 31, 2012.

On a consolidated basis, approximately 24.7% of our net assets (including equity method investees) are restricted pursuant to the terms of various loan agreements as of January 31, 2012. Including only our consolidated subsidiaries, approximately 7.2% of our net assets are restricted as of January 31, 2012.

Off Balance Sheet Arrangements

None.

Tabular Disclosure of Contractual Obligations

In the ordinary course of business, we enter into agreements under which we are obligated to make legally enforceable future cash payments. These agreements include obligations related to purchasing inventory, long term debt and interest rate management.

The following table summarizes by category expected future cash outflows associated with contractual obligations in effect as of January 31, 2012 (amounts in thousands):

	Payment due by period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-term debt obligations	$ 123,749	$ 15,222	$ 69,776	$ 38,751	$
Interest on variable rate debt (a)	13,513	4,413	6,694	2,406	
Interest on fixed rate debt	183	80	94	9	
Other (b)	5,702	2,413	1,500	876	913
Total (c)	$ 143,147	$ 22,128	$ 78,064	$ 42,042	$ 913

(a) The interest rates effective as of January 31, 2012 for variable rate loans were used to calculate future payments of interest on variable rate debt.

(b) Amounts represent primarily payments due for rail car usage contracts at One Earth Energy and NuGen.

(c) We are not able to determine the likely settlement period for uncertain tax positions, accordingly, approximately $2.5 million of uncertain tax positions and related interest and penalties have been excluded from the table above. We are not able to determine the likely settlement period, if any, for interest rate swaps; accordingly approximately $4.2 million of liabilities for derivative financial instruments have been excluded from the table above.

Seasonality and Quarterly Fluctuations

The impact of seasonal and quarterly fluctuations has not been material to our results of operations for the past three fiscal years.

Impact of Inflation

The impact of inflation has not been material to our results of operations for the past three fiscal years.

Critical Accounting Policies

We believe the application of the following accounting policies, which are important to our financial position and results of operations, require significant assumptions, judgments and estimates on the part of management. We base our assumptions, judgments, and estimates on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented in accordance with generally accepted accounting principles (GAAP). However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Further, if different assumptions, judgments and estimates had been used, the results could have been different and such differences could be material. For a summary of all of our accounting policies, including the accounting policies discussed below, see Note 1 of the Notes to the Consolidated Financial Statements. Management believes that the following accounting policies are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management s most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain.

Revenue Recognition We recognize sales from ethanol and distillers grains when title transfers to customers, upon shipment from our plant. Shipping and handling charges to ethanol and distillers grains customers are included in net sales and revenue.

We include income from our real estate leasing activities in net sales and revenue. We account for these leases as operating leases. Accordingly, minimum rental revenue is recognized on a straight-line basis over the term of the lease.

We sold retail product service contracts covering periods beyond the normal manufacturers warranty periods, usually with terms of coverage (including manufacturers warranty periods) of between 12 to 60 months. Contract revenues and sales commissions are deferred and amortized on a straight-line basis over the life of the contracts after the expiration of applicable manufacturers warranty periods. We retain the obligation to perform warranty service and such costs are charged to operations as incurred. All related revenue and expense is classified in discontinued operations.

We recognized income from synthetic fuel partnership sales as the synthetic fuel was produced and sold except for operations at the Gillette facility as we did not believe that collection of our proceeds for production occurring subsequent to September 30, 2006 was reasonably assured from that plant until the third quarter of fiscal year 2011. See Note 5 of the Notes to the Consolidated Financial Statements for a further discussion of synthetic fuel partnership sales.

Investments The method of accounting applied to long-term investments, whether consolidated, equity or cost, involves an evaluation of the significant terms of each investment that explicitly grant or suggest evidence of control or influence over the operations of the investee and also includes the identification of any variable interests in which we are the primary beneficiary. The evaluation of consolidation under ASC 810 *Consolidation* is complex and requires judgments to be made. We consolidated the results of two majority owned subsidiaries, Levelland Hockley and One Earth, on a one month lag during fiscal year 2010. As a result of losing control of Levelland Hockley at the end of fiscal year 2010, we deconsolidated the subsidiary s balance sheet and applied the equity method of accounting prospectively. However, during fiscal year 2011, Levelland Hockley filed for bankruptcy, at which time we began using the cost method to account for our investment in Levelland Hockley. Beginning November 1, 2011, we also consolidated the results of NuGen as that was the date we obtained a controlling financial interest in NuGen. Investments in businesses that we do not control, or maintain a majority voting interest or maintain a primary beneficial interest, but for which we have the ability to exercise significant influence over operating and financial matters, are accounted for using the equity method. Investments in which we do not have the ability to exercise significant influence over operating and financial matters are accounted for using the cost method.

We periodically evaluate our investments for impairment due to declines in market value considered to be other than temporary. Such impairment evaluations include, in addition to persistent, declining market prices, general economic and company-specific evaluations. If we determine that a decline in market value is other than temporary, then a charge to earnings is recorded in the accompanying Consolidated Statements of Operations for all or a portion of the unrealized loss, and a new cost basis in the investment is established.

Inventory Inventory is recorded at the lower of cost or market. The market value of inventory is often dependent upon fluctuating commodity prices. If these estimates are inaccurate, we may be exposed to market conditions that require an additional reduction in the value of certain inventories affected. We provide for a permanent write down of inventory, for inventory items that have a cost greater than net realizable value. The write down of inventory was approximately $153,000 at January 31, 2012. No write down of inventory was recorded at January 31, 2011. Fluctuations in the write down of inventory generally relate to the levels and composition of such inventory at a given point in time. The assumptions we currently use include our estimates of the selling prices of ethanol and distillers grains.

Financial Instruments Forward grain purchase and ethanol and distillers grains sales contracts are accounted for under the normal purchases and normal sales scope exemption of ASC 815, *Derivatives and Hedging* (ASC 815) because these arrangements are for purchases of grain and sales of ethanol and distillers grains that will be delivered in quantities expected to be used by us over a reasonable period of time in the normal course of business. We use derivative financial instruments to manage our balance of fixed and variable rate debt. We do not hold or issue derivative financial instruments for trading or speculative purposes. Interest rate swap agreements involve the exchange of fixed and variable rate interest payments and do not represent an actual exchange of the notional amounts between the parties. Our swap agreement was not designated for hedge accounting pursuant to ASC 815. The interest rate swap is recorded at fair value and the change in fair value is recorded as gain or loss on derivative financial instruments in the accompanying Consolidated Statements of Operations. The most significant factor that impacts the fair value calculation is the estimate of future interest rates over the remaining life of the swap agreement. Changes to the estimate could impact the fair value calculation materially.

Accounting for Business Combinations In accounting for business combinations, we apply the accounting requirements of ASC 805, *Business Combinations*, (ASC 805), which requires the recording of net assets of acquired businesses at fair value. In developing estimates of fair value of acquired assets and assumed liabilities, we analyze a variety of factors including market data, estimated future cash flows of the acquired operations, industry growth rates and assumptions for certain future commodity prices. Such a valuation requires management to make significant estimates and assumptions, especially with respect to the future commodity prices.

In determining the fair value of the Company s assets associated with the purchase of NuGen, we utilized two valuation methods:

Market approach: This method estimates fair value based on market prices in actual transactions and on asking prices for assets currently available for sale. This valuation process is essentially that of comparison and correlation between other similar assets and those of NuGen.

Income approach: This method estimates fair value based upon the present value of cash flows we expect to generate from NuGen s operations over NuGen s remaining useful life. We used the discounted cash flow method.

Changes to the assumptions we used to estimate fair value could impact the recorded amounts for acquired assets and liabilities, including property, plant and equipment. Significant changes to these balances could have a material impact on our future reported results.

Income Taxes Income taxes are recorded based on the current year amounts payable or refundable, as well as the consequences of events that give rise to deferred tax assets and liabilities based on differences in how those events are treated for tax purposes, net of valuation allowances. We base our estimate of deferred tax assets and liabilities on current tax laws and rates and other expectations about future outcomes. Changes in existing regulatory tax laws and rates and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. We have established valuation allowances for certain state net operating loss carryforwards and other deferred tax assets. We determined that it is more likely than not that we will be able to generate sufficient taxable income in future years to allow for the full utilization of the federal AMT credit carryforward and other deferred tax assets other than those reserved. In determining the need for a valuation allowance, we have assumed that our ethanol plants and real estate assets will continue to generate taxable income. We are projecting that the operations of One Earth and

NuGen will continue to be profitable. We are assuming that we will be relatively successful in our real estate marketing efforts. In addition, we have considered the fact that our AMT credit carryforward has an indefinite life. In general, we have used approximately $20.0 million as the assumed average of future years pre-tax income. We believe our assumed target level of earnings is reasonable based upon historical experience and expectations of real estate rental income and ethanol plant operating income. In addition, we considered other positive factors in our assessment. Although during fiscal years 2008, 2009 and 2010 we realized a taxable loss, we generated taxable income in fiscal year 2011 through our ethanol and real estate operations. Furthermore, the taxable loss is attributable, in large part, to accelerated depreciation deductions for income tax purposes. Such deductions are not expected to continue at levels we have seen in the last three years as evidenced by the net deferred tax liability of approximately $1.6 million recorded at January 31, 2012. In addition, we have significant financial resources to deploy in future income producing activities.

The valuation allowance was approximately $1.7 million and approximately $1.2 million at January 31, 2012 and January 31, 2011, respectively. Should estimates of future income differ significantly from our prior estimates, we could be required to make a material change to our deferred tax valuation allowance. The primary assumption used to estimate the valuation allowance has been estimates of future state taxable income. Such estimates can have material variations from year to year based upon expected levels of income from our ethanol plants, leasing income and gains on real estate sales. Factors that could negatively affect future taxable income include adverse changes in the commercial real estate market and the ethanol crush spread. Our accounting for deferred tax consequences represents management s best estimate of future events that can be appropriately reflected in the accounting estimates.

As of January 31, 2012, total unrecognized tax benefits were approximately $2.2 million, and accrued penalties and interest were approximately $0.3 million. If we were to prevail on all unrecognized tax benefits recorded, approximately $0.1 million of the reserve would benefit the effective tax rate. In addition, the impact of penalties and interest would also benefit the effective tax rate. Interest and penalties associated with unrecognized tax benefits are recorded within income tax expense.

It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain unrecognized tax positions will increase or decrease during the next 12 months; however, we do not expect the change to have a material effect on results of operations or financial position. On a quarterly and annual basis, we accrue for the effects of open uncertain tax positions and the related potential penalties and interest. Should future estimates of open uncertain tax positions differ from our current estimates, we could be required to make a material change to our accrual for uncertain tax positions. In addition, new income tax audit findings could also require us to make a material change to our accrual for uncertain tax positions.

Recoverability of Long-Lived Assets Given the nature of our business, each income producing property must be evaluated separately when events and circumstances indicate that the value of that asset may not be recoverable. We recognize an impairment loss when the fair value of the asset is less than its carrying amount. We generally use expected future cash flows on a discounted basis and appraisals of specific properties to estimate fair value. Changes in the real estate market for particular locations could result in changes to our estimates of the property s value upon disposal. In addition, changes in expected future cash flows from our ethanol plants could result in additional impairment charges. Any significant adverse change in the spread between ethanol and grain prices could result in triggering events, and thus, additional impairment charges.

New Accounting Pronouncements

Effective February 1, 2011, we adopted the amended guidance in ASC 805, which requires disclosure of pro forma revenue and earnings as if the business combination that occurred during the reporting period had occurred as of the beginning of the comparable prior reporting year. The adoption of this amended guidance required expanded disclosure in the consolidated financial statements but did not impact financial results.

Effective February 1, 2011, we adopted the second phase of the amended guidance in ASC Topic 820, *Fair Value Measurements and Disclosures* , (ASC 820) which requires us to disclose information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis, separately for assets and liabilities. The adoption of this amended guidance required expanded disclosure in the consolidated financial statements but did not impact financial results.

Effective February 1, 2012, we will be required to adopt the third phase of amended guidance in ASC 820, which achieves common fair value measurement and disclosure requirements by improving comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and those prepared in conformity with International Financial Reporting Standards (IFRS). We have not determined the impact this amended guidance will have on our consolidated financial statements.

Effective February 1, 2012, we will be required to adopt the amended guidance in ASC Topic 220, *Comprehensive Income* , which increases the prominence of other comprehensive income in the financial statements. We have not determined the impact this amended guidance will have on our consolidated financial statements.

There were no other new accounting standards issued during fiscal year 2011 that had or are expected to have a material impact on our financial position, results of operations, or cash flows.

Item 7A. **Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to the impact of market fluctuations associated with interest rates and commodity prices as discussed below.

Interest Rate Risk

We are exposed to market risk from changes in interest rates. Exposure to interest rate risk results primarily from holding term and revolving loans that bear variable interest rates. Specifically, we have approximately $122.7 million in variable-rate debt as of January 31, 2012. Interest rates on our variable-rate debt are determined based upon the market interest rate of LIBOR plus 300 to 325 basis points. A 10% adverse change (for example from 3.0% to 3.3%) in market interest rates would increase our interest cost on such debt by approximately $0.5 million per year in the aggregate. However, this change would be greater should LIBOR rates exceed 4.0%, which is the floor interest rate of the NuGen subsidiary level long term debt.

One Earth entered into two forward interest rate swaps in the notional amounts of $50.0 million and $25.0 million with the First National Bank of Omaha during fiscal years 2008 and 2007. The $50.0 million swap fixed the variable interest rate of a portion of One Earth s term loan at 7.9%, while the $25.0 million swap fixed the variable interest rate of a portion of One Earth s term loan at 5.49%. The swap settlements commenced on July 31, 2009; the $50.0 million swap terminates on July 8, 2014 and the $25.0 million swap terminated on July 31, 2011. A hypothetical 10% change (for example, from 4.0% to 3.6%) in market interest rates at January 31, 2012 would change the fair value of the interest rate swap by approximately $0.4 million.

Commodity Price Risk

We manage a portion of our risk with respect to the volatility of commodity prices inherent in the ethanol industry by using forward purchase and sale contracts. At January 31, 2012, One Earth and NuGen combined have purchase commitments for approximately 10.3 million bushels of corn, the principal raw material for their ethanol plants. One Earth and NuGen expect to take delivery of the corn by July 2012. One Earth and NuGen have combined sales commitments for approximately 40.4 million gallons of ethanol and 59,300 tons of distillers grains. One Earth and NuGen expect to deliver the ethanol and distillers grains by April 2012. Less than 1% of our forecasted ethanol sales during the next 12 months have been sold under fixed-price contracts. As a result, the effect of a 10% adverse move in the price of ethanol from the current pricing would result in a decrease in annual revenues of approximately $42.5 million for the remaining forecasted ethanol sales. Approximately 9% of our forecasted distillers grains sales during the next 12 months have been sold under fixed-price contracts. As a result, the effect of a 10% adverse move in the price of distillers grains from the current pricing would result in a decrease in annual revenues of approximately $10.9 million for the remaining 91% of forecasted distillers grains sales. Similarly, approximately 1% of our estimated corn usage for the next 12 month was subject to fixed-price contracts. As a result, the effect of a 10% adverse move in the price of corn for current pricing would result in an increase in annual cost of goods sold of approximately $44.6 million for the remaining 99% of forecasted corn usage.

Item 8. Financial Statements and Supplementary Data
REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	January 31,	
	2012	**2011**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 75,013	$ 91,019
Accounts receivable - net	12,784	9,619
Inventory - net	30,349	7,819
Refundable income taxes	1,816	8,503
Prepaid expenses and other	3,987	3,055
Deferred taxes - net	3,090	5,834
Total current assets	127,039	125,849
Property and equipment - net	240,084	169,811
Other assets	7,884	5,907
Deferred taxes - net		5,206
Equity method investments	61,679	67,349
Restricted investments and deposits	1,363	1,600
TOTAL ASSETS	$ 438,049	$ 375,722

See notes to consolidated financial statements.

REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
(Amounts in Thousands)

	January 31,	
	2012	**2011**
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current portion of long term debt alternative energy	$ 14,972	$ 9,672
Current portion of long term debt other	250	342
Accounts payable trade	6,985	2,557
Deferred income	1,864	3,982
Accrued restructuring charges		146
Accrued real estate taxes	2,750	2,393
Accrued payroll and related items	2,882	829
Derivative financial instruments	1,694	1,835
Other current liabilities	5,844	2,811
Total current liabilities	37,241	24,567
LONG TERM LIABILITIES:		
Long term debt alternative energy	107,706	69,049
Long term debt other	821	1,924
Deferred taxes	4,642	
Deferred income	552	2,416
Derivative financial instruments	2,541	3,688
Other long term liabilities	2,703	4,114
Total long term liabilities	118,965	81,191
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
REX shareholders equity:		
Common stock, 45,000 shares authorized, 29,853 shares issued at par	299	299
Paid in capital	142,994	142,293
Retained earnings	324,323	296,053
Treasury stock, 21,523 and 20,461 shares, respectively	(215,105)	(193,713)
Total REX shareholders equity	252,511	244,932
Noncontrolling interests	29,332	25,032
Total equity	281,843	269,964
TOTAL LIABILITIES AND EQUITY	$ 438,049	$ 375,722

See notes to consolidated financial statements.

REX AMERICAN RESOURCES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Thousands, Except Per Share Amounts)

	Years Ended January 31,		
	2012	**2011**	**2010**
Net sales and revenue	$ 409,952	$ 301,407	$ 169,777
Cost of sales	376,116	270,777	148,895
Gross profit	33,836	30,630	20,882
Selling, general and administrative expenses	(10,376)	(9,722)	(6,161)
Equity in income of unconsolidated ethanol affiliates	21,532	14,558	6,027
Impairment charges and loss on deconsolidation		(18,424)	
Bargain purchase gain, net	3,541		
Income from synthetic fuel investments	2,883		
Interest income	417	447	445
Interest expense	(3,484)	(5,559)	(4,724)
Loss on early termination of debt	(1)	(48)	(89)
Other income	625	310	748
Losses on derivative financial instruments	(1,148)	(2,116)	(2,487)
Income from continuing operations before income taxes	47,825	10,076	14,641
Provision for income taxes	(15,902)	(3,017)	(4,585)