

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549  
FORM 10-Q

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

For nine months ended May 31, 1999.

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 0-261.

ALICO, INC.

(Exact name of registrant as specified in its charter)

Florida  
(State or other jurisdiction of  
incorporation of organization)

59-0906081  
(I.R.S. Employer  
Identification No.)

P. O. Box 338, La Belle, FL  
(Address of principal executive offices)

33975  
(Zip Code)

Registrant's telephone number, including area code 941/675-2966

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act  
of 1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days.

Yes  No

There were 7,027,827 shares of common stock, par value \$1.00 per share,  
outstanding at July 15, 1999.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ALICO, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(See Accountants' Review Report)

<S>	(Unaudited)		(Unaudited)	
	Three Months Ended		Nine Months Ended	
	May 31, 1999	May 31, 1998	May 31, 1999	May 31, 1998
<C>	<C>	<C>	<C>	<C>
Revenue:				
Citrus	\$12,953,171	\$ 7,692,572	\$23,074,822	\$19,880,035
Sugarcane	3,584,534	1,529,918	6,999,338	6,026,361
Ranch	1,851,990	1,898,400	5,559,720	6,141,814
Rock products and Sand	334,006	334,033	965,996	909,701
Oil lease and land rentals	274,653	157,199	694,126	421,208
Forest products	16,958	27,216	83,658	109,329
Profit on sales of real estate	(1,065)	448,871	4,292,311	1,082,243
Interest and investment income	396,608	555,854	832,899	1,175,891
Other	38,688	24,948	66,626	67,623
Total revenue	19,449,543	12,669,011	42,569,496	35,814,205
Cost and expenses:				
Citrus production, Harvesting and marketing	12,221,354	6,069,739	19,802,952	16,070,376
Sugarcane production and harvesting	2,064,833	824,211	4,646,221	4,539,847
Ranch	1,816,363	1,686,088	5,604,206	5,519,118
Real estate expenses	158,162	117,652	307,923	332,071
Interest	597,950	256,106	1,404,564	634,436
Other, general and administrative	736,279	639,594	2,111,891	1,897,692
Total costs and expenses	17,594,941	9,593,390	33,877,757	28,993,540
Income before income taxes	1,854,602	3,075,621	8,691,739	6,820,665
Provision for income taxes	684,620	1,173,587	3,793,547	2,521,055
Net income	1,169,982	1,902,034	4,898,192	4,299,610
Weighted average number of shares outstanding	7,027,827	7,027,827	7,027,827	7,027,827
Per share amounts:				
Net income	\$ .17	\$ .27	\$ .70	\$ .61
Dividends	\$ -	\$ -	\$ .50	\$ .60

<FN>  
See accompanying notes to condensed consolidated financial statements.

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ALICO, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(See Accountants' Review Report)

	(Unaudited) May 31, 1999	(Unaudited) August 31, 1998
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash investments	\$ 426,298	\$ 908,268
Marketable Securities	14,968,858	12,291,767
Accounts and mortgage notes receivable	13,118,902	11,193,508
Inventories	14,426,907	17,625,923
Other current assets	210,575	334,577
	<hr/>	<hr/>
Total current assets	43,151,540	42,354,043
Mortgage notes receivable, non-current	420,430	514,796
Land held for development and sale	9,256,415	8,837,957
Other assets	998,089	965,230
Property, buildings and equipment	129,153,336	107,064,751
Less: Accumulated depreciation	(30,779,206)	(29,182,416)
	<hr/>	<hr/>
Total assets	\$152,200,604	\$130,554,361
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEETS  
(See Accountants' Review Report)  
(Continued)

<S>	(Unaudited) May 31, 1999	(Unaudited) August 31, 1998
	<hr/>	<hr/>
LIABILITIES		
	<C>	<C>
Current liabilities:		
Accounts payable	\$2,489,589	\$ 1,464,159
Due to profit sharing plan	-	296,368
Accrued ad valorem taxes	859,589	1,329,136
Current portion of notes payable	1,322,033	28,145
Accrued expenses	383,063	538,897
Income taxes payable	279,541	623,128
Deferred income taxes	2,224,199	1,023,886
Deferred revenue	-	345,763
	<hr/>	<hr/>
Total current liabilities	7,558,014	5,649,482
Notes payable	40,840,168	23,210,723
Deferred income taxes	10,887,993	11,723,895
Deferred retirement benefits	562,428	3,320
	<hr/>	<hr/>
Total liabilities	59,848,603	40,587,420
	<hr/>	<hr/>
STOCKHOLDERS' EQUITY & COMPREHENSIVE INCOME		
Common stock	\$ 7,027,827	\$ 7,027,827
Accumulated other comprehensive income	1,169,127	168,345
Retained earnings	84,155,047	82,770,769
	<hr/>	<hr/>
Total stockholders' equity and comprehensive income	92,352,001	89,966,941
	<hr/>	<hr/>
Total liabilities and stockholders' equity	152,200,604	\$130,554,361
	<hr/>	<hr/>

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See Accompanying notes to condensed consolidated financial statements.

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ALICO, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY & COMPREHENSIVE INCOME  
(See Accountants' Review Report)

	Common Stock		Retained	Accumulated Other Comprehensive
	Shares Issued	Amount	Earnings	Income
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balances August 31, 1997	7,027,827	\$7,027,827	\$80,211,659	\$913,059
Net income for the year ended May 31, 1998	-	-	4,299,610	-
Unrealized gain on securities, net of tax	-	-	-	186,321
Dividends paid	-	-	(4,216,696)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balances May 31, 1998	7,027,827	7,027,827	80,294,573	1,099,380
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balances August 31, 1998	7,027,827	7,027,827	82,770,769	168,345
Net income for the nine months ended May 31, 1999	-	-	4,898,192	-
Unrealized gain on securities, net of tax	-	-	-	1,000,782
Dividends paid	-	-	(3,513,914)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balances May 31, 1999	7,027,827	\$7,027,827	\$84,155,047	\$1,169,127
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

See accompanying notes to condensed consolidated financial statement.

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ALICO, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(See Accountants' Review Report)

	(Unaudited)	
	May 31, 1999	May 31, 1998
	_____	_____
<S>		
Cash flows from operating activities:		
Net income	<C> \$ 4,898,192	<C> \$4,299,610
Adjustments to reconcile net income to cash provided from operating activities:		
Depreciation	3,891,638	3,415,600
Accrued donation	(5,399)	(206,676)
Net decrease in current assets and liabilities	130,444	(1,192,318)
Deferred income taxes	(239,397)	116,782
Gain on sale of real estate	(4,268,132)	(1,082,243)
Other	458,695	(1,132,440)
	_____	_____
Net cash provided from operating activities	4,866,041	4,218,315
	_____	_____
Cash flows from investing activities:		
Purchases of property and equipment	(24,169,924)	(3,155,021)
Proceeds from sales of real estate	4,404,902	1,157,153
Proceeds from sales of other property and equipment	-	355,930
Purchases of marketable securities	(3,258,678)	(4,466,407)
Proceeds from sales of marketable securities	2,160,714	3,090,054
	_____	_____
Net cash used for investing activities	(20,862,986)	(3,018,291)
	_____	_____
Cash flows from financing activities:		
Notes receivable collections	105,556	20,240
Repayment of bank loan	(26,328,667)	(16,011,000)
Proceeds from bank loan	45,252,000	18,230,000
Dividends paid	(3,513,914)	(4,216,696)
	_____	_____
Net cash used for financing activities	15,514,975	(1,977,456)
	_____	_____
Net decrease in cash and cash investments	\$ (481,970)	\$ (777,432)
	_____	_____
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of		

amount capitalized	\$ 1,671,478	\$ 2,761,430
	<hr/>	<hr/>
	<hr/>	<hr/>
Cash paid for income taxes, including interest and penalties	\$ 4,379,835	\$ 543,959
	<hr/>	<hr/>
	<hr/>	<hr/>

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See accompanying notes to condensed consolidated financial statements.

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ALICO, INC. AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(See Accountants' Review Report)

1. Basis of financial statement presentation:

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Saddlebag Lake Resorts, Inc., after elimination of all significant intercompany balances and transactions.

The accompanying unaudited condensed consolidated financial statements have been prepared on a basis consistent with the accounting principles and policies reflected in the Company's annual report for the year ended August 31, 1998. In the opinion of Management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of its consolidated financial position at May 31, 1999 and August 31, 1998 and the consolidated results of operations and cash flows for the nine months ended May 31, 1999 and 1998.

The basic business of the Company is agriculture which is of a seasonal nature and subject to the influence of natural phenomena and wide price fluctuations. Fluctuation in the market prices for citrus fruit caused the Company to recognize additional revenue from the prior year's crop totaling approximately \$ 160,000 in 1999 and \$ 2,536,000 in 1998. The results of operations for the stated periods are not necessarily indicative of results to be expected for the full year.

2. Real estate:

Real estate sales are recorded under the accrual method of accounting. Under this method, a sale is not recognized until payment is received, including interest, aggregating 10% of the contract sales price for residential properties and 20% for commercial properties.

3. Inventories:

A summary of the Company's inventories (in thousands) is shown below:

	May 31, 1999	August 31, 1998
	<hr/>	<hr/>
Unharvested fruit crop on trees	\$ 5,684	\$ 7,466
Unharvested sugarcane	1,971	2,358

Beef cattle	6,597	7,535
Sod	175	267
	<hr/>	<hr/>
Total inventories	\$14,427	\$17,626
	<hr/>	<hr/>

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#### 4. Income taxes:

The provision for income taxes for the quarters and nine months ended May 31, 1999 and 1998 is summarized as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 1999	May 31, 1998	May 31, 1999	May 31, 1998
<S>	<C>	<C>	<C>	<C>
Current:				
Federal income tax	\$ (369,308)	\$ 893,001	\$ 1,679,631	\$2,113,937
State income tax	83,380	181,212	273,428	348,148
	<hr/>	<hr/>	<hr/>	<hr/>
	(285,928)	1,074,213	1,953,059	2,462,085
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred:				
Federal income tax	870,431	89,787	1,656,439	53,281
State income tax	100,117	9,587	184,049	5,689
	<hr/>	<hr/>	<hr/>	<hr/>
	970,548	99,374	1,840,488	58,970
	<hr/>	<hr/>	<hr/>	<hr/>
Total provision for income taxes	\$ 684,620	\$1,173,587	\$ 3,793,547	\$2,521,055
	<hr/>	<hr/>	<hr/>	<hr/>

Following is a reconciliation of the expected income tax expense computed at the U. S. Federal statutory rate of 34% and the actual income tax provision for the quarters and nine months ended May 31, 1999 and 1998:

	Three Months Ended		Nine Months Ended	
	May 31, 1999	May 31, 1998	May 31, 1999	May 31, 1998
<S>	<C>	<C>	<C>	<C>
Expected income tax	\$ 630,564	\$1,045,711	\$2,955,191	\$2,319,026



Increase (decrease) resulting from:				
State income taxes, net of federal benefit	67,322	111,645	315,510	247,590
Nontaxable interest and dividends	(22,352)	(17,210)	(68,588)	(68,183)
Interest and penalties net of federal and state benefit	-	-	593,878	-
Other reconciling items, net	9,086	33,441	(2,444)	22,622
	<hr/>	<hr/>	<hr/>	<hr/>
Total provision for income taxes	\$ 684,620	\$1,173,587	\$3,793,547	\$2,521,055
	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>

The Company is currently under examination by the Internal Revenue Service for the years ended August 31, 1993, 1994, 1995 and 1996. Previously the Company had been under audit for the years ended August 31, 1991 and 1992. A final settlement was reached for 1991 & 1992 in February 1999. The resulting income taxes, related to the timing of recognition of certain items previously expensed, totaled \$1,037,803 and was provided for in prior years and as such, had no financial statement impact.

#### 5. Indebtedness:

The Company has financing agreements with commercial banks that permit the Company to borrow up to \$34 million. The financing agreements allow the Company to borrow up to \$27,000,000 which is due in 2001 and up to \$7,000,000 which is due on demand. In March 1999, the Company mortgaged 7,680 acres for \$19 million in connection with a \$22.5 million acquisition of producing citrus and sugarcane operations. The total amount of long-term debt under these agreements at May 31, 1999 and August 31, 1998 was \$40,840,168 and \$23,210,723, respectively.

Maturities of the indebtedness of the Company over the next five years are as follows: 2000- \$1,322,033; 2001- \$19,412,033; 2002- \$6,322,033; 2004- \$1,322,033; 2005- \$1,322,033.

Interest cost expensed and capitalized during the nine months ended May 31, 1999 and May 31, 1998 was as follows:

	1999	1998
	<hr/>	<hr/>
Interest expensed	\$1,404,564	\$634,436
Interest capitalized	135,130	257,106
	<hr/>	<hr/>
Total interest cost	\$1,539,694	\$891,542
	<hr/>	<hr/>
	<hr/>	<hr/>

#### 6. Dividends:

On October 6, 1998 the Company declared a year-end dividend of \$.50 per share, which was paid on November 6, 1998.

7. Disclosures about reportable segments:

Alico, Inc. has four reportable segments: citrus, sugarcane, ranching and general corporate. The commodities produced by these segments are sold to wholesalers and processors who prepare the products for consumption. The Company's operations are located in Florida.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Alico, Inc. evaluates performance based on profit or loss from operations before income taxes. Alico, Inc.'s reportable segments are strategic business units that offer different products. They are managed separately because each segment requires different management techniques, knowledge and skills.

The following table presents information for each of the Company's operating segments as of and for the nine months ended May 31, 1999:

	Citrus	Sugarcane	Ranch	General Corporate*	Consolidated Total
Revenue	\$ 23,074,822	6,999,338	5,559,720	6,935,616	42,569,496
Costs and expenses	19,802,952	4,646,221	5,604,206	3,824,378	33,877,757
Depreciation and amortization	1,664,866	933,459	982,012	226,991	3,807,328
Segment profit (loss)	3,271,870	2,353,117	(44,486)	3,111,238	8,691,739
Segment assets	39,621,065	38,252,308	11,977,906	62,349,325	152,200,604

\*Consists of rents, investments, real estate activities and other such items of a general corporate nature.

8. Accounting pronouncements:

As of September 1, 1998, Alico adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income," with retroactive reporting for previous periods. Statement 130 requires that an enterprise compute and display comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes both net income and other comprehensive income which

caused the equity change.

Items included in other comprehensive income shall be classified based on their nature. For example, it would include unrealized holding gains and losses relating to securities transactions, and changes in market values of futures contracts which qualifies as a hedge among other items. The total of other comprehensive income for a period will be transferred to an equity account and displayed as "accumulated other comprehensive income."

#### 9. Stock Incentive Plan:

At its annual meeting of shareholders on December 1, 1998, the stockholders approved an incentive plan which is intended to provide officers, board members and other key employees of the Company an opportunity to increase their stock ownership in the Company and give them additional incentive to achieve the Company's objectives. There are 650,000 shares of the Company's Common Stock reserved for awards under the incentive plan. No grants have yet been distributed under the Plan.

#### 10. Accountants' review report:

The accompanying unaudited condensed consolidated financial statements have been reviewed by the Company's independent auditors in accordance with standards for such limited reviews established by the American Institute of Certified Public Accountants. The report of such auditors with respect to their limited review is attached hereto as Exhibit A.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### LIQUIDITY AND CAPITAL RESOURCES:

Working capital decreased to \$35,593,526 at May 31, 1999, from \$36,704,561 at August 31, 1998. As of May 31, 1999, the Company had cash and cash investments of \$426,298 compared to \$908,268 at August 31, 1998. Marketable securities increased from \$12,291,767 to \$14,968,858 during the same period. The ratio of current assets to current liabilities decreased to 5.71 to 1 at May 31, 1999 from 7.50 to 1 at August 31, 1998. Total assets increased by \$21,646,243 to \$152,200,604 at May 31, 1999 from \$130,554,361 at August 31, 1998.

The working capital decrease of \$1,111,035 largely resulted from the increase in current liabilities accrued at May 31, 1999. The increases in the current portion of notes payable (\$1,293,888) and current deferred income taxes (\$1,200,313) were the most significant current liability factors. This was offset, somewhat, by the increases in marketable securities (\$2,677,091) and receivables (\$1,925,394), however, inventories decreased \$ 3,199,016 during the same period.

In connection with financing agreements with commercial banks (See Note 5 under Notes to Condensed Consolidated Financial Statements), the Company has an unused availability of funds of approximately \$ 10.9 million at May 31, 1999.

### RESULTS OF OPERATIONS:

Net income for the three months ending May 31, 1999 decreased by \$732,052

when compared to the third quarter of fiscal 1998, but increased \$598,582 when compared to the nine-month period then ended. Income before income taxes decreased \$1,221,019 and increased \$1,871,074 for the three and nine months ended May 31, 1999, respectively, when compared to the same periods a year ago. The year-to-date increase was largely impacted by the sale of approximately 7,100 acres of land, in Hendry County, Florida, to the South Florida Water Management District for \$4.4 million during the current fiscal year. The pre-tax gain from the sale totaled \$4.2 million.

Year-to-date earnings from agriculture activities decreased from the prior year (\$2,287,145 vs. \$2,540,852 for the third quarter, and \$5,580,501 vs. \$5,918,869 during the first nine months of fiscal 1999 and 1998, respectively).

#### Citrus

Citrus earnings decreased both for the quarter (\$731,817 during fiscal 1999 vs. \$1,622,833 during fiscal 1998) and the nine months (\$3,271,870 during fiscal 1999 vs. \$3,809,659 during fiscal 1998) ended May 31, 1999, when compared to the prior year. Market prices for citrus have improved over last year. However, a decrease in yields has offset the price increases and is the primary cause of the earnings decline.

#### Sugarcane

Sugarcane earnings were higher for the third quarter (\$1,519,701 during fiscal 1999 vs. \$705,707 during fiscal 1998) and for the nine months ended May 31, 1999 (\$2,353,117 in 1999 vs. \$1,486,514 in 1998), when compared to the prior year. Improved sugar yield per acre generated the higher year-to-date earnings.

## ITEM 2. Management's Discussion RESULTS OF OPERATIONS (Continued)

#### Ranching

Ranch earnings were lower for both the quarter and nine months ended May 31, 1999 when compared to the prior year (\$35,627 vs. \$212,312 for the quarter ended May 31, 1999 and May 31, 1998, respectively), and (\$44,486 vs. \$622,696 for the nine months ending May 31, 1999 and May 31, 1998, respectively). Lower market prices for beef is the primary cause of the decline.

#### General Corporate

The Company is continuing its marketing and permit activities for its land which surrounds the Florida Gulf Coast University.

During November of 1996, the Company announced an agreement with Miromar Development, Inc. of Montreal, Canada to sell 550 acres of land surrounding the University site in Lee County for \$9.35 million. The contract calls for 25 percent of the purchase price to be paid at closing, with the balance payable over the four years. If the sale closes, it will generate a pretax gain of approximately \$8.7 million. The closing is dependent upon satisfactory completion of various permit issues.

Additionally, the Company announced an option agreement with REJ Group, Inc., of Cleveland, Ohio, during May 1997. The option agreement permits the acquisition of a minimum 150 acres and a maximum of 400 acres within the 2,300 acre University Village. The potential pretax gain to Alico, if the option is exercised, would vary from \$8.5 million to \$24.5 million, depending on the time at which the option is exercised, and the total number of acres selected.

In February 1999, the South Florida Water Management District purchased approximately 12,728 acres of land in Hendry and Collier Counties, Florida from Alico, Inc. for \$8.8 million. Upon completion of the sale, the Company recognized a gain of approximately \$4.2 million on 7,142 acres. The remaining acres were used in a like-kind exchange, as part of a \$22.5 million acquisition of approximately 7,680 acres in Hendry County, Florida that was completed during March of 1999. The acquisition includes producing citrus and sugarcane operations. The transaction included like-kind exchanges totaling \$6.1 million and debt restructuring that resulted in a \$19 million mortgage. (See Note 5 under Notes to Consolidated Financial Statements.)

#### Year 2000 Compliance

The Company recognizes that Year 2000 issues could result in system failures or miscalculations causing disruptions of operations, including, among others, a temporary inability to process transactions, send invoices or engage in similar normal business activities.

The Company has been engaged in an evaluation of its Year 2000 readiness in connection with various aspects of its business. Specifically, the Company has focused on its information technology and non-information technology systems. In addition, the Company has analyzed its production processes and products. The Company has also attempted to analyze Year 2000 issues relating to third parties with whom the Company has a business relationship.

The current status of the Company's efforts is as follows:

#### Internal Systems, Processes and Products

##### Information Technology Systems:

The Company's accounting software provider and operating system provider have advised the Company that such software is Year 2000 compliant.

##### Non-Information Technology Systems:

The Company does not believe that non-information technology systems are material to its business; however, the Company has completed its review and testing of such systems. The Company is not aware of any problems concerning its non-information technology.

Products:

The Company's products are not date sensitive. Therefore, the Company does not believe it has any material exposure with regard to its products as a result of the Year 2000 issue.

Year 2000 Issues Relating to Third Parties

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Suppliers:

Certain products purchased by the Company are obtained from a limited group of suppliers. The Company surveyed such suppliers in 1998 regarding their Year 2000 status. Absent widespread difficulties affecting several major vendors, the Company does not anticipate that vendors' Year 2000 issues would have a material adverse effect on the Company, because the Company believes alternative sources of supply are available for all required components.

The Company is not currently aware of the Year 2000 readiness of certain outside service companies. Any adverse effect caused by the failure of these providers to be Year 2000 compliant is not currently susceptible to qualification.

Customers:

Because the Company intends to distribute the majority of its agricultural products through third party distribution and marketing agreements, and because the customer base is expected to change from year to year, the Company is unable to predict the identity of most of its major customers in the Year 2000 and thereafter. Accordingly, the Company is unable to make an inquiry as to whether the customers' computer driven payment or purchasing processes are Year 2000 compliant.

A customer's Year 2000 issues could cause a delay in receipt of purchase orders or in payment. If Year 2000 issues are widespread among the Company's customers, the Company's sales and cash flow could be materially affected.

Cautionary Statements

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This report of Form 10Q contains certain forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of various factors, including but not limited to, the competitive environment of the Company's products, weather forces and government regulations.

PART II. OTHER INFORMATION

ITEM 6. Exhibits and reports on Form 8-K.

(a) Exhibits:

- A. Accountant's Report.
- B. Computation of Weighted Average Shares Outstanding at May 31, 1999.
- C. Exhibit 27 - Financial Data Schedule.

(b) Reports on Form 8-K.

None.

SIGNATURES

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

ALICO, INC.  
(Registrant)

July 15, 1999  
Date

W. Bernard Lester  
President  
Chief Operating Officer  
(Signature)

July 15, 1999  
Date

L. Craig Simmons  
Vice President  
Chief Financial Officer  
(Signature)

July 15, 1999  
Date

Deirdre Purvis  
Controller  
(Signature)

EXHIBIT A

Independent Accountants' Review Report

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The Stockholders and  
Board of Directors  
Alico, Inc:

We have reviewed the condensed consolidated balance sheet of Alico, Inc. and subsidiary as of May 31, 1999, and the related condensed consolidated statements of operations and stockholders equity and comprehensive income for the three-month and nine-month periods ended May 31, 1999 and 1998, and the related condensed consolidated statements of cash flows for the nine-month periods ended May 31, 1999 and 1998. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Alico, Inc. and subsidiary as of August 31, 1998 and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated October 9, 1998 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 31, 1998, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP  
(Signature)

June 30, 1999  
Orlando, Florida



ALICO, INC.

Computation of Weighted Average Shares Outstanding as of May 31, 1999:

Number of shares outstanding at August 31, 1998	7,027,827
	<u>                    </u>
	<u>                    </u>
Number of shares outstanding at May 31, 1999	7,027,827
	<u>                    </u>
	<u>                    </u>
Weighted Average 09/01/98 - 05/31/99	7,027,827
	<u>                    </u>
	<u>                    </u>

EXHIBIT B

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET OF ALICO, INC. AND SUBSIDIARY AS OF MAY 31, 1999 AND THE RELATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS AND CASH FLOWS FOR THE NINE MONTHS THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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