Limoneira CO
Form 10-K
January 10, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended October 31, 2016

OR

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

Commission file number: 001-34755

Limoneira Company

(Exact name of registrant as specified in its charter)

Delaware	**77-0260692**
(State of incorporation)	(I.R.S. Employer Identification No.)

1141 Cummings Road, Santa Paula, CA	**93060**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (805) 525-5541

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

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, $0.01 par value	**The NASDAQ Stock Market, LLC**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ 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 ¨ 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 ¨

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

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. ¨

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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Based on the closing price as reported on the NASDAQ Global Market, the aggregate market value of the Registrant's Common Stock held by non-affiliates on April 30, 2016 (the last business day of the Registrant's most recently completed second fiscal quarter) was approximately $210.8 million. Shares of Common Stock held by each executive officer and director and by each stockholder affiliated with a director or an executive officer have been excluded from this calculation because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The number of outstanding shares of the Registrant's Common Stock as of December 31, 2016 was 14,217,888.

Documents Incorporated by Reference

Portions of the Registrant's Proxy Statement for the 2016 Annual Meeting of Stockholders, which we intend to hold on March 28, 2017, are incorporated by reference into Part III of this Form 10-K. The definitive Proxy Statement will be filed within 120 days after October 31, 2016

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CAUTIONARY STATEMENT

This annual report on Form 10-K (this "Annual Report") contains statements which, to the extent that they do not recite historical fact, constitute forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts and may include the words "may," "will," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan" or other words or expressions of similar meaning. We have based these forward-looking statements on our current expectations about future events. The forward-looking statements include statements that reflect management's beliefs, plans, objectives, goals, expectations, anticipations and intentions with respect to our financial condition, results of operations, future performance and business, including statements relating to our business strategy and our current and future development plans.

The potential risks and uncertainties that could cause our actual financial condition, results of operations and future performance to differ materially from those expressed or implied in this Annual Report include:

- changes in laws, regulations, rules, quotas, tariffs and import laws;
- weather conditions, including freezes, rains and drought, that affect the production, transportation, storage, import and export of fresh produce;
- market responses to industry volume pressures;
- increased pressure from disease, insects and other pests;
- disruption of water supplies or changes in water allocations;
- product and raw materials supplies and pricing;
- energy supply and pricing;
- changes in interest and currency exchange rates;
- availability of financing for development activities;

- general economic conditions for residential and commercial real estate development;
- political changes and economic crises;
- international conflict;
- acts of terrorism;
- labor disruptions, strikes, shortages or work stoppages;
- loss of important intellectual property rights; and
- other factors disclosed in this Annual Report.

In addition, this Annual Report contains industry data related to our business and the markets in which we operate. This data includes projections that are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results could differ from the projections. We urge you to carefully review this Annual Report, particularly the section entitled “Risk Factors,” for a complete discussion of the risks of an investment in our common stock.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Many factors discussed in this Annual Report, some of which are beyond our control, will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from forward-looking statements. In light of these and other uncertainties, you should not regard the inclusion of a forward-looking statement in this Annual Report as a representation by us that our plans and objectives will be achieved, and you should not place undue reliance on such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

All references to “we,” “us,” “our,” “our Company,” “the Company,” or “Limoneira” in this Annual Report mean Limoneira Company, a Delaware corporation, and its wholly-owned subsidiaries.

PART I

Item 1. Business

Limoneira Company was incorporated in Delaware in 1990 as the successor to several businesses with operations in California since 1893. Our business and operations are described below. For detailed financial information with respect to our business and our operations, see our consolidated financial statements and the related notes to consolidated financial statements, which are included in Item 8 in this Annual Report. In addition, general information concerning our Company can be found on our website, the internet address of which is www.limoneira.com. All of our filings with the Securities and Exchange Commission (the "SEC"), including but not limited to, the annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments thereto, are available free of charge on our website as soon as reasonably practicable after such material is electronically filed or furnished to the SEC.

Overview

We are an agribusiness and real estate development company founded and based in Santa Paula, California, committed to responsibly using and managing our approximately 11,000 acres of land, water resources and other assets to maximize long-term stockholder value. Our current operations consist of fruit production, sales and marketing, rental operations, real estate development and capital investment activities.

We are one of California's oldest citrus growers. According to Sunkist Growers, Inc. ("Sunkist"), we are one of the largest growers of lemons in the United States and, according to the California Avocado Commission, one of the largest growers of avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of specialty citrus and other crops. We have agricultural plantings throughout Ventura, Tulare, San Bernardino and San Luis Obispo Counties in California and in Yuma County in Arizona, which collectively consist of approximately 4,600 acres of lemons, 1,000 acres of avocados, 1,400 acres of oranges and 900 acres of specialty citrus and other crops. We also operate our own packinghouses in Santa Paula, California and Yuma, Arizona, where we process, pack and sell lemons that we grow, as well as lemons grown by others.

Our water resources include water rights, usage rights and pumping rights to the water in aquifers under, and canals that run through, the land we own. Water for our farming operations is sourced from the existing water resources associated with our land, which includes rights to water in the adjudicated Santa Paula Basin (aquifer) and the un-adjudicated Fillmore and Paso Robles Basins (aquifers). We use ground water from the San Joaquin Valley Basin and water from local water and irrigation districts in Tulare County, which is in California's San Joaquin Valley. We also use ground water from the Cadiz Valley Basin in California's San Bernardino County and surface water in Arizona from the Colorado River through the Yuma Mesa Irrigation and Drainage District ("YMIDD").

For more than 100 years, we have been making strategic investments in California agriculture and real estate development. We currently have three active real estate development projects in California. These projects include multi-family housing and single-family homes comprising approximately 260 completed rental units and another approximately 1,800 units in various stages of planning and development.

Fiscal Year 2016 Highlights and Recent Developments

In December 2013, we began a construction project that included design, construction services and equipment for the expansion of our lemon packing facilities. The project is expected to double the capacity and increase the efficiency of our packing facilities. The project became operational in March 2016 with total construction services and equipment costs of approximately $28.8 million in the aggregate.

In September 2015 and December 2015, we completed the acquisition of 914 acres of lemon, orange and specialty citrus orchards in California's San Joaquin Valley for approximately $18.5 million. The orchards were acquired pursuant to purchase options contained in certain operating leases we have been party to since 2012 for approximately 1,000 acres of lemon, orange and specialty citrus and other crops, which we refer to as the Sheldon Ranch leases.

On November 10, 2015, we entered into a joint venture with The Lewis Group of Companies ("Lewis") for the residential development of our East Area I real estate development project. To consummate the transaction, we formed Limoneira Lewis Community Builders, LLC (the "Joint Venture") as the development entity, contributed our East Area I property to the Joint Venture and sold a 50% interest in the Joint Venture to Lewis for $20.0 million, comprised of a $2.0 million deposit received in September 2015 and $18.0 million received on November 10, 2015. We expect to receive $100.0 million from the Joint Venture over the estimated 7 to 10-year life of the project. The Joint Venture partners will share in capital contributions to fund project costs until loan proceeds and/or revenues are sufficient to fund the project. These funding requirements are currently estimated to total $10.0 to $15.0 million for each Joint Venture partner in the first two years of the project and we funded $2.3 million in fiscal year 2016 and an additional $1.2 million in November 2016. We also entered to a lease agreement with the Joint Venture to lease back a portion of the contributed property, which allows us to continue farming the property during the phased build-out of the project. We are planning approximately 632 units in Phase 1 of the project. We are currently engaged in tree removal and other site preparation activities. Our current plans indicate that we should begin grading during the spring of 2017, Phase 1 site improvements during the summer of 2017 and initial lots sales are anticipated to begin near the end of 2017.

On January 20, 2016, we entered into a $10.0 million term loan pursuant to a Master Loan and Security Agreement and a Loan Schedule with Wells Fargo, with a first priority security interest in certain lemon packinghouse equipment to Wells Fargo. The interest rate is 3.58% and the loan is payable in monthly installments through January 2023.

On February 16, 2016, we entered into a Promissory Note and Loan Agreement with Farm Credit West. The loan agreement provides for a $10.0 million term loan and a $7.5 million term loan. The term loans mature on March 1, 2036 and are secured by certain of our agricultural properties. The $10.0 million term loan bears interest at a fixed rate of 4.70% for the life of the loan. The $7.5 million term loan bears interest at a fixed rate of 3.62% for the first five years of the loan and at the end of such time, will convert to a variable interest rate. The term loans provide for monthly principal and interest payments and are pre-payable in whole or in part after September 1, 2016. The proceeds from the term loans were received February 19, 2016 and were used to pay off the Farm Credit West Line of Credit and pay down outstanding indebtedness under the revolving credit facility we have with Rabobank, N.A., which provides additional availability for acquisitions and real estate development.

In June and July 2016, we sold 60,000 shares of Calavo Growers, Inc. (“Calavo”) common stock at an average price of $67 per share. Net proceeds from the sale were $4.0 million and we recognized a gain of $3.4 million. We continue to own 300,000 shares of Calavo common stock.

In October 2016, we sold a conservation easement on one of our Ventura County properties to The Nature Conservancy. The easement preserves 235 acres along the Santa Clara River in perpetuity from commercial and residential development and provides access to the river by certain groups for environmental study and observation. Net proceeds from the sale were $1.0 million. We retain title to the property and the easement allows us to continue agriculture and related activities on the property.

We sell our lemons directly to our customers in Limoneira branded cartons. Historically, we have sold a portion of our oranges and specialty citrus to Sunkist affiliated and other packing houses for processing and sale to customers in Sunkist and other branded cartons. Beginning in fiscal year 2017, we plan to sell our oranges and most of our specialty citrus directly to our customers in Limoneira branded cartons, similar to our lemons. We utilize our own packing facilities to process lemons for sale and have contracted with Cecelia Packing Corporation located in Orange Cove, California to pack our oranges and specialty citrus.

On December 15, 2016, we increased our dividends to $0.22 per year and declared a $0.055 per share dividend which is to be paid on January 17, 2017 in the aggregate amount of approximately $0.8 million to common shareholders of record as of December 27, 2016. This represents a 10% increase in our dividend compared to 2016.

Business Divisions

We have three business divisions: agribusiness, rental operations, and real estate development. The agribusiness division is comprised of two reportable segments, lemon operations and other agribusiness, and includes our farming, harvesting, lemon packing and lemon sales operations. The rental operations division includes our residential and commercial rentals, leased land operations and organic recycling. The real estate development division includes our real estate projects and development. Financial information and discussion of our four reportable segments, lemon operations, other agribusiness, rental operations and real estate development, are contained in the notes to the accompanying consolidated financial statements of this Annual Report.

Agribusiness Division

The agribusiness division is comprised of two of our reportable segments, lemon operations and other agribusiness, and represented approximately 95%, 95% and 95% of our fiscal year 2016, 2015 and 2014 consolidated revenues, respectively, of which lemon operations represented 76%, 79% and 77% of our fiscal year 2016, 2015 and 2014 consolidated revenues, respectively, and other agribusiness represented 19%, 16% and 18% of our fiscal year 2016, 2015 and 2014 consolidated revenues, respectively.

Farming

We are one of California's oldest citrus growers and one of the largest growers of lemons and avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of specialty citrus and other crops. We have agricultural plantings throughout Ventura, San Bernardino and San Luis Obispo Counties in California and Yuma County in Arizona, which collectively consist of approximately 4,600 acres of lemons, 1,000 acres of avocados, 1,400 acres of oranges and 900 acres of specialty citrus and other crops. We also operate our own packinghouses in Santa Paula, California and Yuma, Arizona, where we process, pack and sell lemons we grow as well as lemons grown by others.

Lemons. Our lemon farming is included in our "lemon operations" reportable segment within our financial statements. We market and sell lemons directly to food service, wholesale and retail customers throughout the United States, Canada, Asia, Australia and certain other international markets. We are one of the largest lemon growers in the United States with approximately 4,600 acres of lemons planted primarily in Ventura and Tulare Counties in California and in Yuma County, Arizona. In California, the lemon growing area stretches from the Coachella Valley to Fresno and Monterey Counties, with the majority of the growing areas being located in the coastal areas from Ventura County to Monterey County. Ventura County is California's top lemon producing county. Approximately 40% of our lemons are grown in Ventura County, 25% are grown in Tulare County, 20% are grown in Yuma County, Arizona and 15% are grown in San Bernardino County, California.

There are over fifty varieties of lemons, with the Lisbon, Eureka and Genoa being the predominant varieties marketed on a worldwide basis. California-grown lemons are available throughout the year, with peak production periods occurring from January through August. Approximately 90% of our lemon plantings are of the Lisbon and Eureka varieties and approximately 10% are of other varieties such as sweet Meyer lemons, proprietary seedless lemons and pink variegated lemons. The storage life of fresh lemons generally ranges from 1 to 18 weeks, depending upon the maturity of the fruit, the growing methods used and the handling conditions in the distribution chain.

With an average annual production of approximately 750,000 tons of lemons, California accounts for approximately 90% of the United States lemon crop, with Arizona producing a vast majority of the rest. Between 50% and 70% of the United States lemon crop is utilized in the fresh market, with the remainder going to the processed market for products such as juice, oils and essences. Most lemons are consumed as either a cooking ingredient, a garnish, or as juice in lemonade or carbonated beverages or other drinks. Demand for lemons is typically highest in the summer, although California producers through various geographical zones are typically able to harvest lemons year round.

Avocados. Our avocado farming is included in our "other agribusiness" reportable segment within our financial statements. We are one of the largest avocado growers in the United States with approximately 1,000 acres of avocados planted throughout Ventura County. In California, the avocado growing area stretches from San Diego

County to Monterey County, with the majority of the growing areas located approximately 100 miles north and south of Los Angeles County.

Over the last 75 years, the avocado has transitioned from a single specialty fruit to an array of 10 varieties ranging from the green-skinned Zutanos to the black-skinned Hass, which is the predominant avocado variety marketed on a worldwide basis. California-grown avocados are available year round, with peak production periods occurring between February and September. Other avocado varieties have a more limited picking season and typically command a lower price. Because of superior eating quality, the Hass avocado has contributed greatly to the avocado's growing popularity through its retail, restaurant and other food service uses. Approximately 98% of our avocado plantings are of the Hass variety. The storage life of fresh avocados generally ranges from 1 to 4 weeks, depending upon the maturity of the fruit, the growing methods used and the handling conditions in the distribution chain.

We provide all of our avocado production to Calavo Growers, Inc. ("Calavo"), a packing and marketing company listed on the NASDAQ Global Select Market under the symbol CVGW. Calavo's customers include many of the largest retail and food service companies in the United States and Canada. Our marketing relationship with Calavo dates back to 2003. Calavo receives fruit from our orchards at its packinghouse located in Santa Paula, California. Calavo's proximity to our agricultural operations enables us to keep transportation and handling costs to a minimum. Our avocados are packed by Calavo and sold and distributed under its own brands to its customers primarily in the United States and Canada.

Primarily due to differing soil conditions, the care of avocado trees is intensive and during our 75-year history of growing avocados, growing techniques have changed dramatically. The need for more production per acre to compete with foreign sources of supply has required us to take an important lead in the practice of dense planting (typically four times the number of avocado trees per acre versus traditional avocado plantings) and mulching composition to help trees acclimate under conditions that more closely resemble those found in the tropics, a better climate for avocado growth.

Oranges. Our orange farming is included in our "other agribusiness" reportable segment within our financial statements. While we are primarily known for our high-quality lemons, we also grow oranges. We have approximately 1,400 acres of oranges planted throughout Tulare County, California. In California, the growing area for oranges stretches from Imperial County to Yolo County. For many decades, the Valencia variety of oranges was grown in Ventura County primarily for export to the Pacific Rim. Throughout the late 20th century, developing countries began producing the larger, seedless Navel variety of oranges that successfully competed against the smaller Valencia variety. California grown Navel oranges are available from October to June, with peak production periods occurring between January and April. California-grown Valencia oranges are available from March to October, with peak production periods occurring between June and September. Approximately 95% of our orange plantings are of the Navel variety and approximately 5% are of the Valencia variety.

Navel oranges comprise most of California's orange crop, accounting for approximately 75% over the past three growing seasons. Valencia oranges account for a vast majority of the remainder of California's orange crop. While California produces approximately 25% of the nation's oranges, its crop accounts for approximately 80% of those going to the fresh market. The share of California's crop going to fresh market, as opposed to the processed market (i.e., juices, oils and essences) varies by season, depending on the quality of the crop.

Beginning in fiscal year 2017, we will utilize Cecelia Packing Corporation to process and pack our oranges which we sell in Limoneira branded cartons. We estimate approximately 70% of our oranges are sold to retail customers and approximately 30% are sold to wholesale customers.

Specialty Citrus and Other Crops. Our specialty citrus and other crop farming is included in our "other agribusiness" reportable segment within our financial statements. A few decades ago we began growing specialty citrus varieties and other crops that we believed would appeal to changing North American and worldwide demand. As a result, we currently have approximately 900 acres of specialty citrus and other crops planted such as Moro blood oranges, Cara Cara oranges, Minneola tangelos, Star Ruby grapefruit, pummelos, pistachios, olives and wine grapes.

Acreage devoted to specialty citrus and other crops in California has been growing significantly over the past few decades, especially with the popularity of the Clementine, a type of mandarin orange. Similar to our oranges, we utilize Cecilia Packing Corporation to process and pack our specialty citrus. A portion of our specialty citrus is marketed and sold under the Sunkist brand by Sunkist and orders are processed by Sunkist-member packinghouses. As an agricultural cooperative, Sunkist coordinates the sales and marketing of the specialty citrus and orders are processed by Sunkist-member packinghouses for direct shipment to customers.

We currently market our other crops, such as pistachios, olives and wine grapes, utilizing processors which are not members of agricultural cooperatives. Our pistachios are harvested and sold to a roaster, packager and marketer of nuts, our olives are harvested and sold to a processor and marketer of olives and our wine grapes are sold to various wine producers.

Plantings

We have agricultural plantings on properties located in Ventura, Tulare, San Bernardino and San Luis Obispo Counties in California and in Yuma, Arizona. The following is a description of our agriculture properties:

Ranch Name	County / State	Total Acres	Lemons	Avocados	Oranges	Specialty Crops	Other
Limoneira/Olivelands	Ventura, CA	1,700	600	500	-	-	600
Orchard Farm	Ventura, CA	1,100	500	-	-	-	600
Teague McKevett	Ventura, CA	500	200	200	-	-	100
La Campana	Ventura, CA	300	100	200	-	-	-
Rancho La Cuesta	Ventura, CA	200	100	-	-	-	100
Limco Del Mar	Ventura, CA	200	100	100	-	-	-
Porterville Ranches	Tulare, CA	1,200	400	-	400	200	200
Ducor Ranches	Tulare, CA	1,000	300	-	400	200	100
Windfall Farms	San Luis Obispo, CA	700	-	-	-	200	500
Sheldon Ranches	Tulare, CA	1,000	200	-	600	200	-
Lemons 400	Tulare, CA	800	400	-	-	-	400
Cadiz	San Bernardino, CA	800	700	-	-	-	100
Associated Citrus Packers	Yuma, AZ	1,300	1,000	-	-	-	300
Other agribusiness land	Various counties, CA	200	-	-	-	100	100
Total		11,000	4,600	1,000	1,400	900	3,100
Percentage of Total		100 %	42 %	9 %	13 %	8 %	28 %

The *Limoneira/Olivelands Ranch* is the original site of our Company. Our headquarters, lemon packing operations and storage facilities are located on this property.

The *Teague McKevett Ranch* is the site of our real estate development project known as East Area I and described below under the heading “Real Estate Development.”

Windfall Farms - Creston, California. Windfall Farms is an approximately 700-acre former thoroughbred breeding farm and equestrian facility located in Creston, California, near Paso Robles, California. During fiscal years 2014 and 2015, we planted approximately 200 acres of vineyards and we intend to plant an additional 100 acres in 2017. Vineyards are generally productive after four years. During the fourth quarter of 2016, the vineyards produced their first harvest from the 2014 planting, generating approximately 200 tons of grapes and $0.3 million of revenue. We generally expect to sell vineyard production by the ton to various wineries with current per ton prices of approximately $1,500 depending on the grape variety and other factors. Based on management's reassessment of the strategic and operational plans for the Windfall property and concurrent with the first harvest in October 2016, we re-purposed Windfall Farms from a real estate development project to an agricultural ranch and reclassified $26.8 million of real estate development assets to property, plant and equipment. Accordingly, Windfall was reclassified to the other agribusiness reportable segment from the real estate development segment during October 2016.

Windfall Farms has had limited real estate development activities in recent years, with operating costs consisting primarily of property maintenance and taxes being the main components of its operating results. Operating losses of approximately $0.7 million, $1.1 million and $1.0 million are included in the real estate development segment operating losses for fiscal years 2016, 2015 and 2014, respectively.

Limco Del Mar is owned by a limited partnership of which we are the general partner and own an interest of 28.1%, which is comprised of a 1.3% general partner interest and a 26.8% limited partner interest.

We manage the *Cadiz Ranches* under operating lease arrangements. We purchased substantially all of the *Sheldon Ranches* property in two separate transactions, which closed in September and December 2015. We previously managed the *Sheldon Ranches* under operating lease arrangements.

The other agribusiness land in the table above includes corporate and lemon packing facilities, land leased to other agricultural businesses, rental units, roads, creeks, hillsides and other open land.

Our orchards can maintain production for many years. For financial reporting purposes, we depreciate our orchards from 20 to 40 years depending on the fruit variety with the majority of our orchards depreciated over 20 to 30 years. We regularly evaluate our orchards' production and growing costs, and based on these and other factors we may decide to redevelop certain orchards. In addition, we may acquire agricultural property with existing productive orchards or without productive orchards, which would require new orchard plantings. The fruit varieties that we grow are typically non-producing for approximately the first four years after planting. Currently, we have 1,400 acres of lemons, 100 acres of oranges and 300 acres of specialty citrus and other crops that are under development and non-producing. Orchards may continue producing fruit longer than their depreciable lives. The following table presents the number of acres planted by fruit variety and approximate age of our orchards:

County, State, Fruit Variety	Age of Orchards 0-4 Years	5-25 Years	Over 25 Years	Total
Ventura, CA				
Lemons	200	600	900	1,700
Avocados	-	600	400	1,000
Total Ventura, CA	200	1,200	1,300	2,700
Tulare, CA				
Lemons	500	200	500	1,200
Oranges	100	600	700	1,400
Specialty citrus and other	100	400	200	700
Total Tulare, CA	700	1,200	1,400	3,300
San Bernardino, CA - Lemons	500	200	-	700
San Luis Obispo, CA – Wine Grapes	200	-	-	200
Yuma, AZ - Lemons	200	800	-	1,000
Total	1,800	3,400	2,700	7,900
Percentage of Total	23 %	43 %	34 %	100 %

Lemon Packing and Sales

We are the oldest continuous lemon packing operation in North America. We pack and sell lemons grown by us as well as lemons grown by others, which operations are included in our financial statements under the reportable segment "lemon operations." Lemons delivered to our packinghouses in Santa Paula, California and Yuma, Arizona are sized, graded, cooled, ripened and packed for delivery to customers. Our ability to accurately estimate the size, grade and timing of the delivery of the annual lemon crop has a substantial impact on both our costs and the sales price we receive for the fruit.

A significant portion of the costs related to our lemon packing operation is fixed. Our strategy for growing the profitability of our lemon packing operations calls for optimizing the percentage of a crop that goes to the fresh market, or fresh utilization, and procuring a larger percentage of the California and Arizona lemon crop.

We invest considerable time and research into refining and improving our lemon operations through innovation and are continuously in search of new techniques to refine how premium lemons are delivered to our consumers. In the second quarter of fiscal year 2016, our new lemon packing facility became operational, which is expected to double our lemon packing capacity and increase the efficiency of these operations.

Rental Operations Division

Our rental operations division is provided for in our financial statements as its own reportable segment and includes our residential and commercial rentals, leased land operations and organic recycling. The rental operations division represented approximately 5%, 5% and 4% of our fiscal year 2016, 2015 and 2014 consolidated revenues, respectively.

Residential

We own and maintain approximately 260 residential housing units located in Ventura and Tulare Counties that we lease to employees, former employees and non-employees. In fiscal year 2015, we added 65 new agriculture workforce housing units in Santa Paula, California. These properties generate reliable cash flows which we use to partially fund the operating costs of our business and provide affordable housing for many of our employees and the community.

Commercial

We own several commercial office buildings and a multi-use facility consisting of a retail convenience store, gas station, car wash, and quick-serve restaurant. As with our residential housing units, these properties generate reliable cash flows which we use to partially fund the operating costs of our business.

Leased Land

As of October 31, 2016, we lease approximately 500 acres of our land to third-party agricultural tenants who grow a variety of row crops such as strawberries, raspberries, celery and cabbage. Our leased land business provides us with a profitable method to diversify the use of our land.

Organic Recycling

With the help of one of our tenants, Agromin, a processor of premium soil products and a green waste recycler located in Oxnard, California, we have implemented an organic recycling program. Agromin provides green waste recycling for cities in Santa Barbara, Los Angeles and Ventura Counties. We worked with Agromin to develop an organic recycling facility on our land in Ventura County, to receive green materials (lawn clipping, leaves, bark and other plant materials) and convert such material into mulch that we spread throughout our agricultural properties to help curb erosion, improve water efficiency, reduce weeds and moderate soil temperatures. We receive a percentage of the gate fees Agromin collects from regional waste haulers and enjoy the benefits of the organic material.

Real Estate Development Division

Our real estate development division is provided for in our financial statements as its own reportable segment and includes our real estate development operations. The real estate development division had no significant revenues in fiscal year 2016 and represented approximately 1% of our consolidated revenues in fiscal years 2015 and 2014.

For more than 100 years, we have been making strategic real estate investments in California agricultural and developable real estate. Our current real estate developments include developable land parcels, multi-family housing and single-family homes with approximately 1,800 units in various stages of planning and development. The following is a summary of each of the strategic agricultural and development real estate investment properties in which we own an interest:

East Area I - Santa Paula, California. East Area I consists of 523 acres that we presently use as agricultural land and is located in Santa Paula approximately ten miles from the City of Ventura and the Pacific Ocean. This property is also known as our Teague McKevett Ranch. We believe East Area I is an ideal location for a master planned community of commercial and residential properties designed to satisfy expected demand in a region that we believe will have few other developments in this coming decade. In 2008, after we completed a process of community planning and environmental review, the citizens of Santa Paula voted to approve the annexation of East Area I into Santa Paula. This vote was a requirement of the Save Open-Space and Agricultural Resources, or SOAR, ordinance that mandates a public vote of the City of Santa Paula for land use conversion.

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On November 10, 2015, we entered into a joint venture with The Lewis Group of Companies ("Lewis") for the residential development of our East Area I real estate development project. To consummate the transaction, we formed Limoneira Lewis Community Builders, LLC (the "Joint Venture") as the development entity, contributed our East Area I property to the Joint Venture and sold a 50% interest in the Joint Venture to Lewis for $20.0 million, comprised of a $2.0 million deposit received in September 2015 and $18.0 million received on November 10, 2015. We expect to receive $100.0 million from the Joint Venture over the estimated 7 to 10-year life of the project. The Joint Venture partners will share in capital contributions to fund project costs until loan proceeds and/or revenues are sufficient to fund the project. These funding requirements are currently estimated to total $10.0 to $15.0 million for each Joint Venture partner in the first two years of the project and we funded $2.3 million in fiscal year 2016 and an additional $1.2 million in November 2016. We also entered into a lease agreement with the Joint Venture to lease back a portion of the contributed property, which allows us to continue farming the property during the phased build-out of the project. We are planning approximately 632 units in Phase 1 of the project. We are currently engaged in tree removal and other site preparation activities. Our current plans indicate that we should begin grading during the spring of 2017, Phase 1 site improvements during the summer of 2017 and initial lots sales are anticipated to begin near the end of 2017.

East Area II - Santa Paula, California. We and our design associates are in the process of formulating plans for East Area II, a parcel of approximately 30 acres adjacent to East Area I, also a part of our Teague McKevett Ranch, that we believe is suited to commercial and/or industrial development along the south side of California Highway 126, a heavily traveled corridor that connects Highway 101 at Ventura on the west with Interstate 5 at Santa Clarita on the east. When completed, we expect that the development will contribute to the economic vitality of the region and allow residents to work and shop within close proximity to their homes.

The successful development of East Area II will be partly dependent on the success of East Area I described above. We expect that East Area II could accommodate large retailers, a medium or large employer, a complex of mixed business and retail, or some combination of the foregoing. We are actively cultivating prospects to buy land in or become future tenants in East Area II and expect that development will closely follow the build-out of East Area I.

Santa Maria - Santa Barbara County, California. As of October 31, 2016 we were invested in three entitled development parcels in Santa Barbara County, California, a county that, in our experience, entitles very few parcels. Located in Santa Maria, each of these parcels offers a residential and/or commercial development opportunity. A brief description of each parcel follows:

- Centennial Square has been approved for 138 apartments on 6 acres and is close to medical facilities, shopping and transportation.

- The Terraces at Pacific Crest is an approximately 8-acre parcel approved for 112 attached-housing units.

- Sevilla is approved for 69 single-family homes adjacent to shopping, transportation, schools, parks and medical facilities, with a parcel of approximately 3 acres zoned for commercial use.

Competitive Strengths

Agribusiness Division

With agricultural operations dating back to 1893, we are one of California's oldest citrus growers and one of the largest growers of lemons and avocados in the United States. Consequently, we have developed significant experience with a variety of crops, mainly lemons, avocados and oranges. The following is a brief list of what we believe are our significant competitive strengths with respect to our agribusiness division, which includes our lemon operations and other agribusiness reportable segments unless otherwise noted:

- Our agricultural properties in Ventura County are located near the Pacific Ocean, which provides an ideal environment for growing lemons, avocados and row crops. Our agricultural properties in Tulare County, which is in the San Joaquin Valley in Central California, and in Yuma, Arizona, are also located in areas that are well-suited for growing citrus crops.

- Historically, a higher percentage of our crops go to the fresh market, which is commonly referred to as fresh utilization, than that of other growers and packers with which we compete.

- We have contiguous and nearby land resources that permit us to efficiently use our agricultural land and resources.

- In all but one of our properties, we are not dependent on State or Federal water projects to support our agribusiness or real estate development operations.

- We own approximately 90% of our agricultural land and take a long view on our fruit production practices.

- A significant amount of our agribusiness property was acquired many years ago, which results in a low cost basis and associated expenses.

- We have a well-trained and retentive labor force with many employees remaining with us for more than 30 years.

- In our lemon operations segment, our integrated business model with respect to growing, packing, marketing and selling lemons allows us to better serve our customers.

- Our lemon packing operations provide marketing opportunities with other citrus companies and their respective products.

- Since 2010, we have achieved and maintained GLOBALGAP Certification by successfully demonstrating our adherence to specific GLOBALGAP standards. GLOBALGAP is an internationally recognized set of farm standards dedicated to "Good Agricultural Practices" or GAP. We believe that GLOBALGAP Certification differentiates us from our competitors and serves as reassurance to consumers and retailers that food reaches acceptable levels of safety and quality, and has been produced sustainably, respecting the health, safety and welfare of workers and the environment, and in consideration of animal welfare issues.

- We have made investments in ground-based solar projects that provide us with tangible and intangible non-revenue generating benefits. The electricity generated by these investments provides us with a significant portion of the electricity required to operate our packinghouse and cold storage facilities located in Santa Paula, California and provides a significant portion of the electricity required to operate four deep-water well pumps at one of our ranches in Tulare County. Additionally, these investments support our sustainable agricultural practices, reduce our dependence on fossil-based electricity generation and lower our carbon footprint. Moreover, electricity that we generate and do not use is conveyed seamlessly back to the investor-owned utilities operating in these two markets. Finally, over time, we expect that our customers and the end consumers of our fruit will value the investments that we have made in renewable energy as a part of our farming and packing operations, which we believe may help us differentiate our products from similar commodities.

- We have made various other investments in water rights and mutual water companies. We own shares in the following mutual water companies: Farmers Irrigation Co., Canyon Irrigation Co., San Cayetano Mutual Water Co., Middle Road Mutual Water Co. and Pioneer Water Company, Inc. In 2007, we acquired additional water rights in the adjudicated Santa Paula Basin (aquifer) and in September 2013 we acquired water rights in the YMIDD with our acquisition of Associated Citrus Packers, Inc. ("Associated").

Rental Operations Division

With respect to our rental operations division, we believe our competitive advantages are as follows:

- Our housing and land rentals provide a consistent, dependable source of cash flow that helps to counter the volatility typically associated with an agricultural business.

- Our housing rental business allows us to offer a unique benefit to our employees, which in turn helps to provide us with a dependable, long-term employee base.

- Our leased land business allows us to partner with other agricultural producers that can serve as a profitable alternative to under-producing tree crop acreage.

- Our organic recycling tenant provides us with a low cost, environmentally friendly solution to weed and erosion control.

Real Estate Development Division

With respect to our real estate development division, we believe our competitive advantages are as follows:

- Our real estate development activities are primarily focused in coastal areas north of Los Angeles and south of Santa Maria, which we believe have desirable climates for lifestyle families, retirees and athletic and sports enthusiasts.

- We have entitlements to build approximately 1,500 residential units in our East Area I (Santa Paula Gateway) development and approximately 300 residential units in our Santa Maria properties.

- We have partnered with an experienced and financially strong land developer for our East Area I residential master plan development.

- Several of our agricultural and real estate investment properties are unique and carry longer term development potential.

- Our East Area II property has approximately 30 acres of land commercially zoned, which is adjacent to our East Area I property. Our Santa Maria properties have approximately 3 acres zoned for mixed use retail, commercial and light manufacturing.

Business Strategy

While each of our business divisions has a separate business strategy, we are an agribusiness and real estate development company that generates annual cash flows to support investments in agricultural and real estate development activities. As our agricultural and real estate development investments are monetized, we intend to seek to expand our agribusiness into new regions and markets and invest in cash-producing residential, commercial and industrial rental assets.

The following describes the key elements of our business strategy for each of our agribusiness, rental operations and real estate development business divisions.

Agribusiness Division

With respect to our agribusiness division, key elements of our strategy are:

- *Acquire Additional Lemon Producing Properties*. To the extent attractive opportunities arise and our capital availability permits, we intend to consider the acquisition of additional lemon producing properties. In order to be considered, such properties would need to have certain characteristics to provide acceptable returns, such as an adequate source of water, a warm micro-climate and well-drained soils. We anticipate that the most attractive opportunities to acquire lemon producing properties will be in the San Joaquin Valley near our existing operations in

Tulare County.

- *Expand our Sources of Lemon Supply.* Peak lemon production occurs at different times of the year depending on geographic region. In addition to our lemon production in California and Arizona and lemons we acquire from third-party growers, we plan to expand our lemon supply sources to international markets such as Mexico, Chile and Argentina. Increases in lemons procured from third-party growers and international sources improve our ability to provide our customers with fresh lemons throughout the year.

- *Increase the Volume of our Lemon Packing Operations.* We regularly monitor our costs for redundancies and opportunities for cost reductions. In this regard, cost per carton is a function of throughput. We continually seek to acquire additional lemons from third-party growers to pack through our plant. Third-party growers are only added if we determine their fruit is of good quality and can be cost effective for both us and the grower. Of most importance is the overall fresh utilization rate for our fruit, which is directly related to quality.

- *Expand International Production and Marketing of Lemons.* We estimate that we currently have approximately 5% of the fresh lemon market in the United States and a larger share of the United States lemon export market. We intend to explore opportunities to expand our international production and marketing of lemons. We have the ability to supply a wide range of customers and markets and, because we produce high quality lemons, we can export our lemons to international customers, which many of our competitors are unable to supply.

- *Construction of a New Lemon Packinghouse.* Over the years, new machinery and equipment along with upgrades have been added to our nearly 80-year old packinghouse and cold storage facilities. This, along with an aggressive and proactive maintenance program, has allowed us to operate an efficient, competitive lemon packing facility. As described above in “Overview – Fiscal Year 2016 Highlights and Recent Developments,” a project to double the capacity and increase the efficiency of our lemon packing facilities became operational in fiscal year 2016. We expect that this project will ultimately increase fresh lemon processing capacity and lower our packing costs by reducing labor and handling inputs.

- *Opportunistically Expand Our Plantings of Oranges, Specialty Citrus and Other Crops.* Our plantings of oranges, specialty citrus and other crops have been profitable and have been pursued to diversify our product line. Agricultural land that we believe is not suitable for lemons is typically planted with oranges, specialty citrus or other crops. While we intend to expand our orange, specialty citrus and other crops, we expect to do so on an opportunistic basis in locations that we believe offer a record of historical profitability.

- *Opportunistically Expand our Plantings of Avocados*. We may opportunistically expand our plantings of avocados primarily because our profitability and cash flow realized from our avocados frequently offset occasional losses in other crops we grow and help to diversify our fruit production base.

- *Maintain and Grow our Relationship with Calavo*. Our alignment with and ownership stake in Calavo comprises our current marketing strategy for avocados. Calavo has expanded its sourcing into other regions of the world, including Mexico, Chile and Peru, which allows it to supply avocados to its retail and food service customers on a year-round basis. California avocados occupy a unique market window in the year-round supply chain and Calavo has experienced a general expansion of volume as consumption has grown. Thus, we intend to continue to have a strong and viable market for our California avocados as well as an equity participation in Calavo's overall expansion and profitability.

- *Sell oranges and specialty citrus in Limoneira branded cartons.* Historically, we have sold a portion of our oranges and specialty citrus to Sunkist affiliated and other packing houses for processing and sale to customers in Sunkist and other branded cartons. Beginning in fiscal year 2017, we plan to sell our oranges and most of our specialty citrus directly to our customers in Limoneira branded cartons, similar to our lemons. We utilize our own packing facilities to process lemons for sale and have contracted with Cecelia Packing Corporation located in Orange Cove, California to pack our oranges and specialty citrus.

- *Diversify our Agribusiness Portfolio with the Development of a Vineyard at Windfall Farms.* Our Windfall Farms property has approximately 500 acres suitable for vineyard development. During fiscal years 2014 and 2015, we planted approximately 200 acres of wine grapes. We intend to continue to plant vineyards at the property up to the 500 suitable acres. We believe the vineyards are consistent with our agribusiness strategy and provide diversification to our crop production and operating results.

Rental Operations Division

With respect to our rental operations division, key elements of our strategy include the following:

- *Secure Additional Rental and Housing Units*. Our housing, commercial and land rental operations provide us with a consistent, dependable source of cash flow that helps to fund our overall activities. Additionally, we believe our housing rental operation allows us to offer a unique benefit to our employees. We have built and leased 65 out of a total of 71 approved additional units through infill projects on existing sites and groupings of units on new sites within our owned acreage.

- *Opportunistically Lease Land to Third-Party Crop Farmers*. We regularly monitor the profitability of our fruit-producing acreage to ensure acceptable per acre returns. When we determine that leasing the land to third-party row crop farmers would be more profitable than farming the land, we intend to seek third-party row crop tenants.

- *Opportunistically Expand our Income-Producing Commercial and Industrial Rental Assets*. We intend to redeploy our future financial gains to acquire additional income-producing real estate investments and agricultural properties.

Real Estate Development Division

With respect to our real estate development division, key elements of our strategy include:

- *Selectively and Responsibly Develop our Agricultural Land*. We recognize that long-term strategies are required for successful real estate development activities. We thus intend to maintain our position as a responsible agricultural land owner and major employer in Ventura County while focusing our real estate development activities on those agricultural land parcels that we believe offer the best opportunities to demonstrate our long-term vision for our community.

- *Opportunistically Increase our Real Estate Holdings*. We intend to redeploy our future financial gains to acquire additional income-producing real estate investments and agricultural properties.

Customers

Since November 2010, we have marketed and sold our lemons directly to our food service, wholesale and retail customers in the United States, Canada, Asia, Australia and certain other international markets. Previously, Sunkist marketed and sold the majority of our lemons. We sold lemons to approximately 170 U.S. and international customers during fiscal year 2016. In our other agribusiness segment, our oranges, specialty citrus and other crops are sold through Sunkist and other packinghouses. We sell all of our avocados to Calavo.

Raw Materials

In our lemons operations segment, paper is considered to be a material raw product for our business because most of our products are packed in cardboard cartons for shipment. Paper is readily available and we have numerous suppliers for such material.

Information about Geographic Areas

During fiscal year 2016, lemon sales were comprised of 77% domestic sales, 20% sales to domestic exporters and 3% international sales. During fiscal year 2015, lemon sales were comprised of 75% domestic sales, 21% sales to domestic exporters and 4% international sales. During fiscal year 2014, lemon sales were comprised of 74% domestic sales, 25% sales to domestic exporters and 1% international sales. All of our avocados, oranges and specialty citrus and other crops are sold to packinghouses and processors located in the United States. All of our long-lived assets are located within the United States and we have an investment in a citrus packing, marketing and sales business in La Serena, Chile.

Seasonal Nature of Business

As with any agribusiness enterprise, our agribusiness division operations are predominantly seasonal in nature. The harvest and sale of our lemons, avocados, oranges and specialty citrus and other crops occurs in all quarters, but is generally more concentrated during our third quarter. With respect to our lemon operations segment, our lemons are generally grown and marketed throughout the year. In terms of our other agribusiness segment, our avocados are sold generally throughout the year with the peak months being February through September. Our Navel oranges are primarily sold from January through April and our Valencia oranges are primarily sold from June through September. Our specialty citrus is sold from November through June and our specialty crops, such as pistachios, olives and wine grapes, are sold in September and/or October.

Competition

The agribusiness division crop markets, including those in which our lemon operations and other agribusiness segments operate, are intensely competitive, but no single producer has any significant market power over any market segments, as is consistent with the production of most agricultural commodities. Generally, there are a large number of global producers that sell through joint marketing organizations and cooperatives. Fruit is also sold to independent packers, both public and private, who then sell to their own customer base. Customers are typically large retail chains, food service companies, industrial manufacturers and distributors who sell and deliver to smaller customers in local markets throughout the world. In the purest sense, our largest competitors in our agribusiness division are other citrus and avocado producers in California, Mexico, Chile, Argentina and Florida, a number of which are members of cooperatives such as Sunkist or have selling relationships with Calavo similar to that of Limoneira. We also compete with other fruits and vegetables for the share of consumer expenditures devoted to fresh fruit and vegetables: apples, pears, melons, pineapples and other tropical fruit. In our other agribusiness segment specifically, avocado products compete in the supermarket with hummus products and other dips and salsas. U.S. producers of fruit and tree nuts generate approximately $19 billion of fruit and tree nuts each year, about 15% of which is exported. For our specific crops, the size of the U.S. market is approximately $375 million for lemons, approximately $300 to $400 million for avocados depending on the year, and approximately $1.5 to $2.0 billion for oranges, both fresh and juice. Competition in the various markets in which our agribusiness division operates is affected by reliability of supply, product quality, brand recognition and perception, price and the ability to satisfy changing customer preferences through innovative product offerings.

The sale and leasing of residential, commercial and industrial real estate is very competitive, with competition coming from numerous and varied sources throughout California. Our greatest direct competition for each of our current real estate development properties in Ventura and Santa Barbara Counties comes from other residential and commercial developments in nearby areas.

Intellectual Property

We have numerous trademarks and brands under which we market and sell our fruits, particularly lemons, domestically and internationally, many of which have been owned for decades. In our lemon operations segment, the brands of Limoneira lemons which are of importance to the segment, including Santa®, Paula®, Bridal Veil®, Fountain®, Golden Bowl® and Level®, are examples of such trademarks owned by us and registered with the United States Patent and Trademark Office. We also acquired certain lemon brands with the acquisition of Associated including Kiva® and Kachina®.

Employees

At October 31, 2016, we had 276 employees, 79 of which were salaried and 197 of which were hourly. None of our employees are subject to a collective bargaining agreement. We believe that our relations with our employees are good.

Research and Development

For our agribusiness division, our research and development programs concentrate on sustaining the productivity of our agricultural lands, product quality and value-added product development. Agricultural research is directed toward sustaining and improving product yields and product quality by examining and improving agricultural practices in all phases of production (such as the development of specifically adapted plant varieties, land preparation, fertilization, pest and disease control, post-harvest handling, packing and shipping procedures), and includes on-site technical services and the implementation and monitoring of recommended agricultural practices. Research efforts are also directed towards integrated pest management. We conduct agricultural research at field facilities throughout our growing areas. We also sponsor research related to environmental improvements and the protection of worker and community health. The aggregate amounts we spent on research and development in each of the last three years have not been material in any such year.

Environmental and Regulatory Matters

Our agribusiness and real estate development operations are subject to a broad range of evolving federal, state and local environmental laws and regulations. For example, the growing, packing, storing and distributing of our products is extensively regulated by various federal and state agencies. The California State Department of Food and Agriculture oversees our packing and processing of lemons and conducts tests for fruit quality and packaging standards. We are also subject to laws and regulations which govern the use of pesticides and other potentially hazardous substances and the treatment, handling, storage and disposal of materials and waste and the remediation of contaminated properties. Advertising of our products is subject to regulation by the Federal Trade Commission and our operations are subject to certain health and safety regulations, including those issued under the Occupational Safety and Health Act.

We seek to comply at all times with all such laws and regulations and to obtain any necessary permits and licenses, and we are not aware of any instances of material non-compliance. We believe our facilities and practices are sufficient to maintain compliance with applicable governmental laws, regulations, permits and licenses. Nevertheless, there is no guarantee that we will be able to comply with any future laws and regulations for necessary permits and licenses. Our failure to comply with applicable laws and regulations or obtain any necessary permits and licenses could subject us to civil remedies including fines, injunctions, recalls or seizures, as well as potential criminal sanctions. These remedies can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals. The risks described below are not the only ones we will face. If any of the following risks or other risks actually occurs, our business, financial condition, results of operations or future prospects could be materially and adversely affected. In such event, the trading price of our common stock could decline and investors in our common stock could lose all or part of their investment.

Risks Related to Our Agribusiness Division

Adverse weather conditions, natural disasters and other natural conditions, including the effects of climate change, could impose significant costs and losses on our business.

Fresh produce is vulnerable to adverse weather conditions, including windstorms, floods, drought and temperature extremes, which are quite common and may occur with higher frequency or be less predictable in the future due to the effects of climate change. Unfavorable growing conditions can reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas. These factors can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Citrus and avocado orchards are subject to damage from frost and freezes, and this has happened periodically in the recent past. In some cases, the fruit is damaged or ruined; in the case of extended periods of cold, the trees can also be damaged or killed.

Our agricultural plantings are potentially subject to damage from disease and pests, which could impose losses on our business and the prevention of which could impose significant additional costs on us.

Fresh produce is also vulnerable to crop disease and to pests, *e.g.* Mediterranean Fruit Fly and the Asian Citrus Psyllid ("ACP"), which may vary in severity and effect, depending on the stage of production at the time of infection or infestation, the type of treatment applied and climatic conditions.

One such pest is ACP, an aphid–like insect that is a serious pest to all citrus plants because it can transmit the disease, Huanglongbing ("HLB"), when it feeds on the plants' leaves and trees. By itself, ACP causes only minor cosmetic damage to citrus trees. HLB, however, is considered to be one of the most devastating diseases of citrus in the world. Trees infected with HLB decline in health, produce inedible fruit and eventually die, usually in 3 to 5 years after becoming infected. Currently, there is no cure for the disease and infected trees must be removed and destroyed to prevent further spreading.

ACP is a federal action quarantine pest subject to interstate and international quarantine restrictions by the United States Department of Agriculture ("USDA"), including a prohibition on the movement of nursery stock out of quarantine areas and a requirement that all citrus fruit be cleaned of leaves and stems prior to movement out of the quarantine area. ACP and HLB exist domestically in Florida, Louisiana, Georgia, South Carolina and Texas and internationally in countries such as Mexico. ACP exists in California, including in our orchards, however, to date, only a few instances of HLB have been detected in Los Angeles County, California. Yet, there can be no assurance that HLB will not be further detected in the future. Due to the discovery of ACP in our orchards, we have experienced costs related to the quarantine and treatment of ACP and incurred approximately $0.9 million of costs in fiscal year 2016 related to pest control efforts targeted against ACP.

There are a number of registered insecticides known to be effective against ACP. However, certain markets and customer responses to the discovery of ACP and the related quarantine could result in a significant decline in revenue due to restrictions on where our lemons can be sold and lower demand for our lemons. Additional government regulations and other quarantine requirements or customer handling and inspection requirements could increase agribusiness costs to us. Our citrus orchards could be at risk if ACP starts to transmit the HLB disease to our trees. Agribusiness costs could also increase significantly as a result of HLB. For example, a recent study in Florida indicated the presence of HLB has increased citrus production costs by as much as 40%.

The costs to control these diseases and other infestations vary depending on the severity of the damage and the extent of the plantings affected. Moreover, there can be no assurance that available technologies to control such infestations will continue to be effective. These infestations can increase costs, decrease revenues and lead to additional charges to earnings, which may have a material adverse effect on our business, results of operations and financial condition.

Our business is highly competitive and we cannot assure you that we will maintain our current market share.

Many companies compete in our different businesses. However, only a few well-established companies operate on an international, national and regional basis with one or several product lines. We face strong competition from these and other companies in all our product lines.

Important factors with respect to our competitors include the following:

- Some of our competitors may have greater operating flexibility and, in certain cases, this may permit them to respond better or more quickly to changes in the industry or to introduce new products and packaging more quickly and with greater marketing support.

- We cannot predict the pricing or promotional actions of our competitors or whether those actions will have a negative effect on us.

There can be no assurance that we will continue to compete effectively with our present and future competitors, and our ability to compete could be materially adversely affected by our debt levels and debt service requirements.

Our strategy of marketing and selling our oranges and specialty citrus directly to our food service, wholesale and retail customers may not be successful.

Historically, we have sold a portion of our oranges and specialty citrus to Sunkist affiliated and other packing houses for processing and sale to customers in Sunkist and other branded cartons. Beginning in fiscal year 2017, we plan to sell our oranges and most of our specialty citrus directly to our customers in Limoneira branded cartons, similar to our lemons. We utilize our own packing facilities to process lemons for sale and have contracted with Cecelia Packing Corporation located in Orange Cove, California to pack our oranges and specialty citrus.

Obtaining and retaining customers, particularly chain stores and other large customers, is highly competitive, and the prices or other terms of our sales arrangements may not be sufficient to retain existing business, maintain current levels of profitability or obtain new business. Industry consolidation (horizontally and vertically) and other factors have increased the buying leverage of the major grocery retailers in our markets, which may put further downward pressure on our pricing and volume and could adversely affect our results of operations.

We depend on our relationship with Calavo and their ability to sell our avocados. Any disruption in this relationship could harm our sales.

We sell 100% of the avocados we grow to Calavo and depend on their willingness and ability to market and sell our avocados to consumers. Calavo sources its avocados from many growers and we cannot control who they will purchase from and how large their orders may be. Should there be any change in our current relationship structure, whereby they buy our entire avocado crop, we would need to find replacement buyers to purchase our remaining crop, which could take time and expense and may result in less favorable terms of sale. Any loss of Calavo as a customer on a whole may cause a material loss in our profits, as they currently purchase 100% of our avocado crop and it may take time to fill any such void.

Our earnings are sensitive to fluctuations in market supply and prices and demand for our products.

Excess supplies often cause severe price competition in our industry. Growing conditions in various parts of the world, particularly weather conditions such as windstorms, floods, droughts and freezes, as well as diseases and pests, are primary factors affecting market prices because of their influence on the supply and quality of product.

Fresh produce is highly perishable and generally must be brought to market and sold soon after harvest. Some items, such as avocados, oranges and specialty citrus, must be sold more quickly, while other items, such as lemons, can be held in cold storage for longer periods of time. The selling price received for each type of produce depends on all of these factors, including the availability and quality of the produce item in the market and the availability and quality of competing types of produce.

In addition, general public perceptions regarding the quality, safety or health risks associated with particular food products could reduce demand and prices for some of our products. To the extent that consumer preferences evolve away from products that we produce for health or other reasons, and we are unable to modify our products or to develop products that satisfy new consumer preferences, there will be a decreased demand for our products. However, even if market prices are unfavorable, produce items which are ready to be, or have been, harvested must be brought to market promptly. A decrease in the selling price received for our products due to the factors described above could have a material adverse effect on our business, results of operations and financial condition.

Our earnings may be subject to seasonal variability.

Our earnings may be affected by seasonal factors, including:

- the seasonality of our supplies and consumer demand;
- the ability to process products during critical harvest periods; and
- the timing and effects of ripening and perishability.

Our lemons are generally grown and marketed throughout the year. Our Navel oranges are sold generally from January through April and our Valencia oranges are sold generally from June through September. Our avocados are sold generally throughout the year with the peak months being February through September. Our specialty citrus is sold generally from November through June and our pistachios, olives and wine grapes are sold generally in September and October.

Currency exchange fluctuation may impact the results of our operations.

We distribute our products both nationally and internationally. Our international sales are transacted in U.S. dollars. Our results of operations are affected by fluctuations in currency exchange rates in both sourcing and selling locations. In the past, periods of a strong U.S. dollar relative to other currencies have led international customers, particularly in Asia, to find alternative sources of fruit.

Increases in commodity or raw product costs, such as fuel and paper, could adversely affect our operating results.

Many factors may affect the cost and supply of fresh produce, including external conditions, commodity market fluctuations, currency fluctuations, changes in governmental laws and regulations, agricultural programs, severe and prolonged weather conditions and natural disasters. Increased costs for purchased fruit have negatively impacted our operating results in the past, and there can be no assurance that they will not adversely affect our operating results in the future.

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The price of various commodities can significantly affect our costs. The cost of petroleum-based products is volatile and there can be no assurance that there will not be further increases in such costs in the future. If the price of oil rises, the costs of our herbicides and pesticides can be significantly impacted.

The cost of paper is also significant to us because some of our products are packed in cardboard boxes for shipment. If the price of paper increases and we are not able to effectively pass these price increases along to our customers, then our operating income will decrease. Increased costs for paper have in the past negatively impacted our operating income, and there can be no assurance that these increased costs will not adversely affect our operating results in the future.

Increases in labor, personnel and benefits costs could adversely affect our operating results.

We primarily utilize labor contractors to grow, harvest and deliver our fruit to our lemon packing house or outside packing facilities. We utilize a combination of employees and labor contractors to process our lemons in our lemon packing facility. Our employees and contractors are in demand by other agribusinesses and other industries. Shortages of labor could delay our harvesting or lemon processing activities or could result in increases in labor costs.

We and our labor contractors are subject to government mandated wage and benefit laws and regulations. For example, the State of California passed regulations which increased minimum wage rates from $10.00 per hour to $10.50 per hour, effective January 1, 2017, gradually increasing to $15.00 per hour in 2022. Arizona minimum wage rates will increase from $8.05 per hour to $10.00 per hour effective January 1, 2017, gradually increasing to $12.00 per hour in 2020. In addition, current or future federal or state healthcare legislation and regulation, including the Affordable Care Act, may increase our medical costs or the medical costs of our labor contractors that could be passed on to us.

Changes in immigration laws could impact the ability of Limoneira to harvest its crops.

We engage third parties to provide personnel for our harvesting operations. The availability and number of such workers is subject to decrease if there are changes in U.S. immigration laws. The scarcity of available personnel to harvest our agricultural products could cause harvesting costs to increase or could lead to the loss of product that is not timely harvested, which could have a material adverse effect to our citrus grove operations, financial position, results of operations and cash flows.

The lack of sufficient water would severely impact our ability to produce crops or develop real estate.

The average rainfall in Ventura, Tulare, San Luis Obispo and San Bernardino Counties in California is substantially below amounts required to grow crops and therefore we are dependent on our rights to pump water from underground aquifers. Extended periods of drought in California may put additional pressure on the use and availability of water for agricultural uses and in some cases Governmental authorities have diverted water to other uses. As California has grown, there are increasing and multiple pressures on the use and distribution of water, which many view as a finite resource. Lack of available potable water can also limit real estate development.

Our water resources include water rights, usage rights and pumping rights to the water in aquifers under, and canals that run through, the land we own. Water for our farming operations is sourced from the existing water resources associated with our land, which includes rights to water in the adjudicated Santa Paula Basin (aquifer) and the un-adjudicated Fillmore and Paso Robles Basins (aquifers). We use ground water and water from local water districts in Tulare County and we use ground water in San Bernardino County. Following our acquisition of Associated, we began using federal project water in Arizona from the Colorado River through the YMIDD.

California has historically experienced periods of below average precipitation. Currently, it is experiencing one of its most severe droughts on record. This year's precipitation has brought relief to California's drought conditions, although the last few years have been among the most severe droughts on record. Rainfall, snow levels and water content of snow pack have been significantly below historical averages. These conditions have resulted in reduced water levels in streams, rivers, lakes, aquifers and reservoirs and the governor of California declared a drought State of Emergency in February 2014. Federal officials oversee the Central Valley Project, California's largest water delivery system, and 75% of the contracted amount of water was provided to San Joaquin farmers in 2016 compared to zero in 2015 and 2014.

For fiscal year 2016, irrigation costs for our agricultural operations were similar to fiscal year 2015. However, costs may increase as we pump more water than our historical averages and federal, state and local water delivery infrastructure costs may increase to access these limited water supplies. In response to the drought, we have an ongoing plan for irrigation improvements in fiscal year 2017 that includes drilling new wells and upgrading existing wells and irrigation systems.

We believe we have access to adequate supplies of water for our agricultural operations as well as our real estate development and rental operations segments of our business and currently do not anticipate that the California drought will have a material impact on our operating results. However, if the current drought conditions persist or worsen or if regulatory responses to such conditions limit our access to water, our business could be negatively impacted by these conditions and responses in terms of access to water and/or cost of water.

The use of herbicides, pesticides and other potentially hazardous substances in our operations may lead to environmental damage and result in increased costs to us.

We use herbicides, pesticides and other potentially hazardous substances in the operation of our business. We may have to pay for the costs or damages associated with the improper application, accidental release or use or misuse of such substances. Our insurance may not be adequate to cover such costs or damages or may not continue to be available at a price or under terms that are satisfactory to us. In such cases, payment of such costs or damages could have a material adverse effect on our business, results of operations and financial condition.

Environmental and other regulation of our business, including potential climate change regulation, could adversely impact us by increasing our production cost or restricting our ability to import certain products into the United States.

Our business depends on the use of fertilizers, pesticides and other agricultural products. The use and disposal of these products in some jurisdictions are subject to regulation by various agencies. A decision by a regulatory agency to significantly restrict the use of such products that have traditionally been used in the cultivation of one of our principal products could have an adverse impact on us. Under the Federal Insecticide, Fungicide and Rodenticide Act, the Federal Food, Drug and Cosmetic Act and the Food Quality Protection Act of 1996, the EPA is undertaking a series of regulatory actions relating to the evaluation and use of pesticides in the food industry. Similarly, in the EU, regulation (EC) No. 1107/2009 which became effective on June 14, 2011, fundamentally changed the pesticide approval process from the current risk base to hazard criteria based on the intrinsic properties of the substance. These actions and future actions regarding the availability and use of pesticides could have an adverse effect on us. In addition, if a regulatory agency were to determine that we are not in compliance with a regulation in that agency's jurisdiction, this could result in substantial penalties and a ban on the sale of part or all of our products in that jurisdiction.

There has been a broad range of proposed and promulgated state, national and international regulation aimed at reducing the effects of climate change. Such regulations apply or could apply in countries where we have interests or could have interests in the future. In the United States, there is a significant possibility that some form of regulation will be enacted at the federal level to address the effects of climate change. Such regulation could take several forms that could result in additional costs in the form of taxes, the restriction of output, investments of capital to maintain compliance with laws and regulations, or required acquisition or trading of emission allowances. Climate change regulation continues to evolve, and while it is not possible to accurately estimate either a timetable for implementation or our future compliance costs relating to implementation, we do not believe that such regulation is reasonably likely to have a material effect in the foreseeable future on our business, results of operations, capital expenditures or financial position.

Global capital and credit market issues affect our liquidity, increase our borrowing costs and may affect the operations of our suppliers and customers.

The global capital and credit markets have experienced increased volatility and disruption over the past several years, making it more difficult for companies to access those markets. We depend in part on stable, liquid and well-functioning capital and credit markets to fund our operations. Although we believe that our operating cash flows and existing credit facilities will permit us to meet our financing needs for the foreseeable future, there can be no assurance that continued or increased volatility and disruption in the capital and credit markets will not impair our liquidity or increase our costs of borrowing. Our business could also be negatively impacted if our suppliers or customers experience disruptions resulting from tighter capital and credit markets or a slowdown in the general economy.

A global economic downturn may have an adverse impact on participants in our industry, which cannot be fully predicted.

The full impact of a global economic downturn on customers, vendors and other business partners cannot be anticipated. For example, major customers or vendors may have financial challenges unrelated to us that could result in a decrease in their business with us or, in extreme cases, cause them to file for bankruptcy protection. Similarly, parties to contracts may be forced to breach their obligations under those contracts. Although we exercise prudent oversight of the credit ratings and financial strength of our major business partners and seek to diversify our risk to any single business partner, there can be no assurance that there will not be a bank, insurance company, supplier, customer or other financial partner that is unable to meet its contractual commitments to us. Similarly, stresses and pressures in the industry may result in impacts on our business partners and competitors, which could have wide ranging impacts on the future of the industry.

We are subject to the risk of product contamination and product liability claims.

The sale of food products for human consumption involves the risk of injury to consumers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling or transportation phases. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, we cannot be sure that consumption of our products will not cause a health-related illness in the future or that we will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our reputation with existing and potential customers and our corporate and brand image. Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance, however, we cannot be sure that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage.

We are subject to transportation risks.

An extended interruption in our ability to ship our products could have a material adverse effect on our business, financial condition and results of operations. Similarly, any extended disruption in the distribution of our products could have a material adverse effect on our business, financial condition and results of operations. While we believe we are adequately insured and would attempt to transport our products by alternative means if we were to experience an interruption due to strike, natural disasters or otherwise, we cannot be sure that we would be able to do so or be successful in doing so in a timely and cost-effective manner.

Events or rumors relating to LIMONEIRA or our other trademarks and related brands could significantly impact our business.

Consumer and institutional recognition of the LIMONEIRA, Santa®, Paula®, Bridal Veil®, Fountain®, Golden Bowl®, Level®, Kiva® and Kachina® trademarks and related brands and the association of these brands with high quality and safe food products are an integral part of our business. The occurrence of any events or rumors that cause consumers and/or institutions to no longer associate these brands with high quality and safe food products may materially adversely affect the value of our brand names and demand for our products.

We are dependent on key personnel and the loss of one or more of those key personnel may materially and adversely affect our prospects.

We currently depend heavily on the services of our key management personnel. The loss of any key personnel could materially and adversely affect our results of operations, financial condition, or our ability to pursue land development. Our success will also depend in part on our ability to attract and retain additional qualified management personnel.

Inflation can have a significant adverse effect on our operations.

Inflation can have a major impact on our farming operations. The farming operations are most affected by escalating costs and unpredictable revenues (due to an oversupply of certain crops) and very high irrigation water costs. High fixed water costs related to our farm lands will continue to adversely affect earnings. Prices received for many of our products are dependent upon prevailing market conditions and commodity prices. Therefore, it is difficult for us to accurately predict revenue, just as we cannot pass on cost increases caused by general inflation, except to the extent reflected in market conditions and commodity prices.

System security risks, data protection breaches, cyber-attacks and systems integration issues could disrupt our internal operations or services provided to customers, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price.

Computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, packing, distribution or other critical functions.

Portions of our IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive. Such disruptions could adversely impact our ability to fulfill orders and interrupt other processes. Delayed sales, lower margins or lost customers resulting from these disruptions could adversely affect our financial results, stock price and reputation.

Government regulation could increase our costs of production and increase legal and regulatory expenses.

Growing, packaging, storing and distributing food products are activities subject to extensive federal, state and local regulation, as well as foreign regulation. These aspects of our operations are regulated by the U.S. Food and Drug Administration (the "FDA"), the USDA and various state and local public health and agricultural agencies. On January 4, 2011, the FDA Food Safety Modernization Act, which is intended to ensure food safety, was enacted. This Act provides direct recall authority to the FDA and includes a number of other provisions designed to enhance food safety, including increased inspections by the FDA of food facilities. Our business is also affected by import and export controls and similar laws and regulations, both in the United States and elsewhere. Issues such as health and safety, which may slow or otherwise restrict imports and exports, could adversely affect our business. In addition, the modification of existing laws or regulations or the introduction of new laws or regulations could require us to make material expenditures or otherwise adversely affect the way that we have historically operated our business.

Our strategy to expand international production and marketing may not be successful and may subject us to risks associated with doing business in corrupt environments.

While we intend to expand our lemon supply sources to international markets and explore opportunities to expand our international production and marketing of lemons, we may not be successful in implementing this strategy. Additionally, in many countries outside of the United States, particularly in those with developing economies, it may be common for others to engage in business practices prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act or similar local anti-bribery laws. These laws generally prohibit companies and their employees, contractors or agents from making improper payments to government officials for the purpose of obtaining or retaining business. Failure to comply with these laws could subject us to civil and criminal penalties that could materially and adversely affect our financial condition and results of operations.

The acquisition of other businesses could pose risks to our operating income.

We intend to continue to consider acquisition prospects that we think complement our business. While we are not currently a party to any agreement with respect to any acquisitions, we may acquire other businesses in the future. Future acquisitions by us could result in accounting charges, potentially dilutive issuances of equity securities, and increased debt and contingent liabilities, any of which could have a material adverse effect on our business and the market price of our common stock. Acquisitions entail numerous risks, including the integration of the acquired operations, diversion of management's attention to other business concerns, risks of entering markets in which we have limited prior experience, and potential loss of key employees of acquired organizations. We may be unable to successfully integrate businesses or the personnel of any business that might be acquired in the future, and our failure to do so could have a material adverse effect on our business and on the market price of our common stock.

We depend on our infrastructure to have sufficient capacity to handle our annual lemon production needs.

We have an infrastructure that has sufficient capacity for our lemon production needs, but if we lose machinery or facilities due to natural disasters or mechanical failure, we may not be able to operate at a sufficient capacity to meet our lemon production needs. This could have a material adverse effect on our business, which could impact our results of operations and our financial condition.

Risks Related to Our Indebtedness

We may be unable to generate sufficient cash flow to service our debt obligations.

To service our debt, we require a significant amount of cash. Our ability to generate cash, make scheduled payments or refinance our obligations depends on our successful financial and operating performance. Our financial and operating performance, cash flow and capital resources depend upon prevailing economic conditions and various financial, business and other factors, many of which are beyond our control. These factors include among others:

- economic and competitive conditions;
- changes in laws and regulations;
- operating difficulties, increased operating costs or pricing pressures we may experience; and
- delays in implementing any strategic projects.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. If we are required to take any actions referred to above, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions on terms acceptable to us, or at all, or that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt agreements.

Restrictive covenants in our debt instruments restrict or prohibit our ability to engage in or enter into a variety of transactions, which could adversely restrict our financial and operating flexibility and subject us to other risks.

Our revolving credit and term loan facilities contain various restrictive covenants that limit our ability to take certain actions. In particular, these agreements limit our ability to, among other things:

- incur additional indebtedness;
- make certain investments or acquisitions;
- create certain liens on our assets;
- engage in certain types of transactions with affiliates;
- merge, consolidate or transfer substantially all our assets; and
- transfer and sell assets.

Our revolving credit facility (the “Rabobank Credit Facility”) with Rabobank and our Wells Fargo Term Loan contain a financial covenant that requires us to maintain compliance with a specified debt service coverage ratio on an annual basis. At October 31, 2016 and 2015, we were in compliance with such debt service coverage ratio. Our failure to comply with this covenant in the future may result in the declaration of an event of default under our Rabobank Credit Facility and Wells Fargo Term Loan.

Any or all of these covenants could have a material adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities and to fund our operations. Any future debt could also contain financial and other covenants more restrictive than those imposed under our line of credit and term loan facilities. A breach of a covenant or other provision in any credit facility governing our current and future indebtedness could result in a default under that facility and, due to cross-default and cross-acceleration provisions, could result in a default under our other credit facilities. Upon the occurrence of an event of default under any of our credit facilities, the applicable lender(s) could elect to declare all amounts outstanding to be immediately due and payable and, with respect to our revolving credit facility, terminate all commitments to extend further credit. If we were unable to repay those amounts, our lenders could proceed against the collateral granted to them to secure the indebtedness. If the lenders under our current or future indebtedness were to accelerate the payment of the indebtedness, we cannot assure you that our assets or cash flow would be sufficient to repay in full our outstanding indebtedness.

Despite our relatively high current indebtedness levels and the restrictive covenants set forth in agreements governing our indebtedness, we may still incur significant additional indebtedness, including secured indebtedness. Incurring more indebtedness could increase the risks associated with our substantial indebtedness.

Subject to the restrictions in our credit facilities, we may incur significant additional indebtedness. If new debt is added to our current debt levels, the related risks that we now face could increase.

Some of our debt is based on variable rates of interest, which could result in higher interest expenses in the event of an increase in the interest rates.

Our Rabobank Credit Facility and certain of our term loans that we have with Farm Credit West and its affiliates currently bear interest at variable rates, which will generally change as interest rates change. We bear the risk that the rates we are charged by our lenders will increase faster than the earnings and cash flow of our business, which could reduce profitability, adversely affect our ability to service our debt, cause us to breach covenants contained in our Rabobank Credit Facility, or our Farm Credit West Term Loans or our Wells Fargo Term Loan, any of which could materially adversely affect our business, financial condition and results of operations. In addition, while we have entered into interest rate swaps as hedging instruments to fix a substantial portion of the variable component of our indebtedness, such interest rate swaps could also have an adverse impact on the comparative results of our operation if prevailing interest rates remain below fixed rates established in such instruments.

Risks Related to Our Real Estate Development Division

We are involved in a cyclical industry and are affected by changes in general and local economic conditions.

The real estate development industry is cyclical and is significantly affected by changes in general and local economic conditions, including:

- employment levels;
- availability of financing;
- interest rates;
- consumer confidence;
- demand for the developed product, whether residential or industrial;
- supply of similar product, whether residential or industrial; and
- local, state and federal government regulation, including eminent domain laws, which may result in taking for less compensation than the owner believes the property is worth.

The process of project development and the commitment of financial and other resources occur long before a real estate project comes to market. A real estate project could come to market at a time when the real estate market is depressed. It is also possible in a rural area like ours that no market for the project will develop as projected.

A recession in the global economy, or a downturn in national or regional economic conditions, could adversely impact our real estate development business.

Future economic instability or tightening in the credit markets could lead to another housing market collapse, which could adversely affect our real estate development operations. Our future real estate sales, revenues, financial condition and results of operations could suffer as a result. Our business is especially sensitive to economic conditions in California and Arizona, where our properties are located.

Higher interest rates and lack of available financing can have significant impacts on the real estate industry.

Higher interest rates generally impact the real estate industry by making it harder for buyers to qualify for financing, which can lead to a decrease in the demand for residential, commercial or industrial sites. Any decrease in demand will negatively impact our proposed developments. Since the most recent recession, the U.S. Federal Reserve has taken actions which have resulted in low interest rates prevailing in the marketplace for a historically long period of time. In December 2016, the U.S. Federal Reserve raised its benchmark interest rate by a quarter of a percentage point. Market interest rates may continue to increase and the increase may materially and negatively affect us. Lack of available credit to finance real estate purchases can also negatively impact demand. Any downturn in the economy or consumer confidence can also be expected to result in reduced housing demand and slower industrial development, which would negatively impact the demand for land we are developing.

We are subject to various land use regulations and require governmental approvals for our developments that could be denied.

In planning and developing our land, we are subject to various local, state, and federal statutes, ordinances, rules and regulations concerning zoning, infrastructure design, subdivision of land, and construction. All of our new developments require amending existing general plan and zoning designations, so it is possible that our entitlement applications could be denied. In addition, the zoning that ultimately is approved could include density provisions that would limit the number of homes and other structures that could be built within the boundaries of a particular area, which could adversely impact the financial returns from a given project. In addition, many states, cities and counties (including Ventura County) have in the past approved various “slow growth” or “urban limit line” measures.

If unforeseen regulatory challenges with East Areas I and II occur, we may not be able to develop these projects as planned and the approximately $66.1 million investment we have in the projects could be impaired in the future.

Third-party litigation could increase the time and cost of our real estate development efforts.

The land use approval processes we must follow to ultimately develop our projects have become increasingly complex. Moreover, the statutes, regulations and ordinances governing the approval processes provide third parties the opportunity to challenge the proposed plans and approvals. As a result, the prospect of third-party challenges to planned real estate developments provides additional uncertainties in real estate development planning and entitlements. Third-party challenges in the form of litigation would, by their nature, adversely affect the length of time and the cost required to obtain the necessary approvals. In addition, adverse decisions arising from any litigation would increase the costs and length of time to obtain ultimate approval of a project and could adversely affect the design, scope, plans and profitability of a project.

We are subject to environmental regulations and opposition from environmental groups that could cause delays and increase the costs of our real estate development efforts or preclude such development entirely.

Environmental laws that apply to a given site can vary greatly according to the site's location and condition, the present and former uses of the site, and the presence or absence of sensitive elements like wetlands and endangered species. Environmental laws and conditions may (i) result in delays, (ii) cause us to incur additional costs for compliance, where a significant amount of our developable land is located, mitigation and processing land use applications, or (iii) preclude development in specific areas. In addition, in California, third parties have the ability to file litigation challenging the approval of a project, which they usually do by alleging inadequate disclosure and mitigation of the environmental impacts of the project. While we have worked with representatives of various environmental interests and wildlife agencies to minimize and mitigate the impacts of our planned projects, certain groups opposed to development may oppose our projects vigorously, so litigation challenging their approval could occur. Recent concerns over the impact of development on water availability and global warming increases the breadth of potential obstacles that our developments face.

Our developable land is concentrated entirely in California and Arizona.

All of our developable land is located in California and Arizona, and our business is especially sensitive to the economic conditions within California. Any adverse change in the economic climate of California, Arizona, or our regions of those states, and any adverse change in the political or regulatory climate of California or Arizona, or the counties where our land is located in such states, could adversely affect our real estate development activities. Ultimately, our ability to sell or lease lots may decline as a result of weak economic conditions or restrictive regulations.

If the real estate industry weakens or instability of the mortgage industry and commercial real estate financing exists, it could have an adverse effect on our real estate business.

Our residential housing projects are currently in various stages of planning and entitlement, and therefore they have not been impacted by the downturn in the housing market or the mortgage lending crisis. Recent trends in the housing market have been improving; however, if the residential real estate market weakens or instability of the mortgage industry and commercial real estate financing exists, our residential real estate business could be adversely affected. An excess supply of homes available due to foreclosures or the expectation of deflation in house prices could also have a negative impact on our ability to sell our inventory when it becomes available.

We rely on contractual arrangements with third party advisors to assist us in carrying out our real estate development projects and are subject to risks associated with such arrangements.

We utilize third party contractor and consultant arrangements to assist us in operating our real estate development segment. These contractual arrangements may not be as effective in providing direct control over this business segment. For example, our third party advisors could fail to take actions required for our real estate development businesses despite its contractual obligation to do so. If the third party advisors fail to perform under their agreements with us, we may have to rely on legal remedies under the law, which may not be effective. In addition, we cannot assure you that our third party advisors would always act in our best interests.

If we are unable to complete land development projects within forecasted time and budget expectations, if at all, our financial results may be negatively affected.

We intend to develop land and real estate properties as suitable opportunities arise, taking into consideration the general economic climate. New real estate development projects have a number of risks, including the following:

- Construction delays or cost overruns that may increase project costs;

- Receipt of zoning, occupancy and other required governmental permits and authorizations;

- Development costs incurred for projects that are not pursued to completion;

- Earthquakes, hurricanes, floods, fires or other natural disasters that could adversely affect a project;

- Defects in design or construction that may result in additional costs to remedy or require all or a portion of a property to be closed during the period required to rectify the situation;

- Our ability to raise capital;

- The impact of governmental assessments such as park fees or affordable housing requirements;

- Governmental restrictions on the nature and size of a project or timing of completion; and

- The potential lack of adequate building/construction capacity for large development projects.

If any development project is not completed on time or within budget, our financial results may be negatively affected.

If we are unable to obtain required land use entitlements at reasonable costs, or at all, our operating results would be adversely affected.

The financial performance of our real estate development segment is closely related to our success in obtaining land use entitlements for proposed development projects. Obtaining all of the necessary entitlements to develop a parcel of land is often difficult, costly and may take several years, or more, to complete. In some situations, we may be unable to obtain the necessary entitlements to proceed with a real estate development or may be required to alter our plans for the development. Delays or failures to obtain these entitlements may have a material adverse effect on our financial results.

We could experience a reduction in revenues or reduced cash flows if we are unable to obtain reasonably priced financing to support our real estate development projects and land development activities.

The real estate development industry is capital intensive, and development requires significant up-front expenditures to develop land and begin real estate construction. Accordingly, we have and may continue to incur substantial indebtedness to finance our real estate development and land development activities. Although we believe that internally generated funds and current and available borrowing capacity will be sufficient to fund our capital and other expenditures, including additional land acquisition, development and construction activities, and the amounts available from such sources may not be adequate to meet our needs. If such sources were insufficient, we would seek additional capital in the form of debt from a variety of potential sources, including bank financing. The availability of borrowed funds to be used for additional land acquisition, development and construction may be greatly reduced, and the lending community may require increased amounts of equity to be invested in a project by borrowers in connection with new loans. The failure to obtain sufficient capital to fund our planned expenditures could have a material adverse effect on our business and operations and our results of operations in future periods.

We may encounter risks associated with the real estate joint venture we entered into on November 10, 2015 with the Lewis Group of Companies including:

- the joint venture may not perform financially or operationally as expected;
- land values, project costs, sales absorption or other assumptions included in the development plans may cause the joint venture's operating results to be less than expected;
- the joint venture may not be able to obtain project loans on acceptable terms;
- the joint venture partners may not be able to provide capital to the joint venture in the event external financing or project cash flows are not sufficient to finance the joint venture's operations;
- the joint venture partners may not manage the project properly; and
- disagreements could occur between the joint venture partners that could affect the operating results of the joint venture or could result in a sale of a partner's interest or the joint venture at undesirable values.

We may encounter other risks that could impact our ability to develop our land.

We may also encounter other difficulties in developing our land, including:

- natural risks, such as geological and soil problems, earthquakes, fire, heavy rains and flooding and heavy winds;

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- shortages of qualified trades people;
- reliance on local contractors, who may be inadequately capitalized;
- shortages of materials; and
- increases in the cost of certain materials.

Risks Relating to Our Common Stock

The value of our common stock could be volatile.

The overall market and the price of our common stock may fluctuate greatly and we cannot assure you that you will be able to resell shares at or above market price. The trading price of our common stock may be significantly affected by various factors, including:

- quarterly fluctuations in our operating results;
- changes in investors' and analysts' perception of the business risks and conditions of our business;
- our ability to meet the earnings estimates and other performance expectations of financial analysts or investors;
- unfavorable commentary or downgrades of our stock by equity research analysts;
- fluctuations in the stock prices of our peer companies or in stock markets in general; and
- general economic or political conditions.

Concentrated ownership of our common stock creates a risk of sudden change in our share price.

As of October 31, 2016, directors and members of our executive management team beneficially owned or controlled approximately 3.6% of our common stock. Investors who purchase our common stock may be subject to certain risks due to the concentrated ownership of our common stock. The sale by any of our large stockholders of a significant portion of that stockholder's holdings could have a material adverse effect on the market price of our common stock. In addition, the registration of any significant amount of additional shares of our common stock will have the immediate effect of increasing the public float of our common stock and any such increase may cause the market price of our common stock to decline or fluctuate significantly.

Our charter documents contain provisions that may delay, defer or prevent a change of control.

Provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders. These provisions include the following:

- division of our board of directors into three classes, with each class serving a staggered three-year term;
- removal of directors by stockholders by a supermajority of two-thirds of the outstanding shares;
- ability of the board of directors to authorize the issuance of preferred stock in series without stockholder approval; and
- prohibitions on our stockholders that prevent them from acting by written consent and limitations on calling special meetings.

We incur increased costs as a result of being a publicly traded company.

As a Company with publicly traded securities, we have incurred, and will continue to incur, significant legal, accounting and other expenses not historically incurred. In addition, the Sarbanes-Oxley Act of 2002, as well as rules promulgated by the SEC and NASDAQ, require us to adopt corporate governance practices applicable to U.S. public companies. These rules and regulations may increase our legal and financial compliance costs, which could adversely affect the trading price of our common stock.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Real Estate

We own our corporate headquarters in Santa Paula, California. We own approximately 8,700 acres of farm land in California, with approximately 4,100 acres located in Ventura County, approximately 3,900 acres located in Tulare County in the San Joaquin Valley and approximately 700 acres in San Luis Obispo County, and we own approximately 1,300 acres located in Yuma, Arizona. We lease approximately 30 acres of land located in Ventura County, approximately 80 acres in Tulare County and approximately 800 acres in San Bernardino County. We also have an interest in a partnership that owns approximately 200 acres of land in Ventura County. The land used for agricultural plantings consists of approximately 4,600 acres of lemons, approximately 1,000 acres of avocados, approximately 1,400 acres of oranges and approximately 900 acres of specialty citrus and other crops. Our agribusiness land holdings are summarized below as of October 31, 2016:

Ranch Name	Acres	Book Value	Acquisition Date	Book Value per Acre
Limoneira/Olivelands Ranch	1,700	$767,000	1907, 1913, 1920	$ 451
La Campana Ranch	300	758,000	1964	$ 2,526
Orchard Farm Ranch	1,100	3,240,000	1990	$ 2,945
Teague McKevett Ranch	500	8,253,000	1994	$ 16,506
Rancho La Cuesta Ranch	200	2,899,000	1994	$ 14,495
Porterville Ranch	700	6,427,000	1997	$ 9,181
Ducor Ranch	900	6,064,000	1997	$ 6,738
Jencks Ranch	100	846,000	2007	$ 8,460
Windfall Farms	700	16,162,000	2009	$ 23,089
Stage Coach Ranch	100	603,000	2012	$ 6,030
Martinez Ranch	200	1,363,000	2012	$ 6,815
Associated Citrus Packers, Inc.	1,300	15,035,000	2013	$ 11,565
Lemons 400	800	5,180,000	2013	$ 6,475
Sheldon Ranches	900	14,110,000	2016	$ 15,678
Other agribusiness land	500	4,685,000	various	$ 9,370
	10,000	$86,392,000		

The book value of our agribusiness land holdings of $86,392,000 differs from the land balance of $76,418,000 included in property plant and equipment in the notes to the consolidated financial statements in Item 8 of this Form 10-K. The table above presents our current land holdings in agribusiness operations and, therefore, excludes leased farm land, rental and real estate development land and includes the Teague McKevett Ranch, which is classified as real estate development in the consolidated financial statements because of its planned development as East Areas I and II.

We own our packing facilities located in Santa Paula, California and Yuma, Arizona, where we process and pack our lemons as well as lemons for other growers. In 2013, we began upgrading our Santa Paula packing facility for additional capacity and completed the upgrade in the second quarter of fiscal year 2016. In 2008, we entered into an operating lease agreement and completed the installation of a 5.5 acre, one-megawatt ground-based photovoltaic solar generator, which provides the majority of the power to operate our packing facility. In 2009, we completed the installation of a one-megawatt solar array (which we also lease through an operating lease agreement), which provides us with a majority of the electricity required to operate four deep water well pumps at one of our ranches in the San Joaquin Valley.

We own approximately 260 residential units in Santa Paula, California that we lease as part of our rental operations segment to our employees, former employees and outside tenants and we own several commercial office buildings and properties that are leased to various tenants. We have built 65 out of a total approved 71 additional residential rental units in Ventura County, California which we began renting in May 2015.

We own real estate development property in the California counties of Santa Barbara and Ventura. These properties are in various stages of development for up to approximately 1,800 residential units and approximately 811,000 square feet of commercial space.

Water and Mineral Rights

Our water resources include water rights, usage rights and pumping rights to the water in aquifers under, and canals that run through, the land we own. We believe we have adequate supplies of water for our agricultural operations as well as our rental and real estate development segments of our business and currently do not anticipate that the California drought will have a material impact on our operating results. Water for our farming operations located in Ventura County, California is sourced from the existing water resources associated with our land, which includes approximately 8,600 acre feet of adjudicated water rights in the Santa Paula Basin (aquifer) and the un-adjudicated Fillmore Basin. We use a combination of ground water provided by wells which derive water from the San Joaquin Valley Basin and water from various water districts and irrigation districts in Tulare County, California, which is in the agriculturally productive San Joaquin Valley. We use ground water provided by wells which derive water from the Cadiz Valley Basin at the Cadiz Ranch in San Bernardino County, California. Our Windfall Farms property located in San Luis Obispo County, California obtains water from wells which derive water from the Paso Robles Basin. Our Associated Citrus Packers farming operations in Yuma, Arizona source water from the Colorado River through the YMIDD, where we have access to approximately 11,700 acre feet of Class 3 Colorado River water rights.

Our rights to extract groundwater from the Santa Paula Basin are governed by the Santa Paula Basin Judgment (the “Judgment”). The Judgment was entered in 1996 by stipulation among the United Water Conservation District, the City of Ventura and various members of the Santa Paula Basin Pumpers Association (the “Association”). The Association is a not-for-profit, mutual benefit corporation, which represents the interests of all overlying landowners with rights to extract groundwater from the Santa Paula Basin and the City of Santa Paula. We are a member of the Association. Membership in the Association is governed by the Association's Bylaws.

The Judgment adjudicated and allocated water rights in the Santa Paula Basin among the Association's members and the City of Ventura. The water rights are established and governed by a seven-year moving average (i.e., production can rise or fall in any particular year so long as the seven-year average is not exceeded).   Under California law, the water rights are considered "property." A perpetual right to water, evidenced by the Judgment, can be exchanged for interests in real property under IRS Code Section 1031 and if condemned by a public agency, just compensation must be paid to the rightful owner. Our rights under the Judgment are perpetual and considered very firm and reliable which reflects favorably upon their fair market value.

For ease of administration, the Association is appointed by the Judgment as the trustee of its members' water rights and is responsible for coordinating and promoting the interests of its members. The Judgment includes provisions for staged reductions in production rights should shortage conditions develop. It also allows the adjudicated water rights to be leased or sold among the parties. The Judgment established a Technical Advisory Committee composed of the United Water Conservation District, the City of Ventura and the Association to assist the Superior Court of the State of California, Ventura County (the "Court"), with the technical aspects of Santa Paula Basin management. Finally, the Judgment reserves continuing jurisdiction to the Court to hear motions for enforcement or modification of the Judgment as necessary.

Our California water resources include approximately 17,000 acre feet of water affiliated with our owned properties, of which approximately 8,600 acre feet are adjudicated. In connection with our September 6, 2013 acquisition of Associated and its property ownership in Yuma, Arizona and its related membership in the YMIDD, we have been allocated approximately 11,000 acre feet of water sourced from the Colorado River. In December 2013, and revised in December 2014 and 2015, Associated entered into an agreement with the YMIDD to participate in a Pilot Fallowing Program in which Associated has agreed to forego its water allocation for approximately 300 acres of land in exchange for $750 per acre through December 31, 2016. Additionally, we own shares in five not-for-profit mutual benefit water companies. Our investments in these water companies provide us with the right to receive a proportionate share of water from each of the water companies.

We believe water is a natural resource that is critical to economic growth in the western United States and firm, reliable water rights are essential to our sustainable business practices. Consequently, we have long been a private steward and advocate of prudent and efficient water management. We have made substantial investments in securing water and water rights in quantities that are sufficient to support and, we believe will exceed, our long-term business objectives. We strive to follow best management practices for the diversion, conveyance, distribution and use of water. In the future, we intend to continue to provide leadership in the area of, and seek innovation opportunities that promote, increased water use efficiency and the development of new sources of supply for our neighboring communities.

We own oil, gas and mineral rights related to our Ventura County, California properties and in fiscal year 2013 we signed a five-year lease with Vintage Petroleum, LLC to allow seismic testing on approximately 1,500 acres. In August of 2015, Vintage released its interest in a portion of the lease, reducing its leased acreage to approximately 30 acres. We will receive a 20% royalty if any oil and gas is extracted.

Item 3. Legal Proceedings

We are from time to time involved in legal proceedings arising in the normal course of business. Other than proceedings incidental to our business, we are not a party to, nor is any of our property the subject of, any material pending legal proceedings, and no such proceedings are, to our knowledge, contemplated by governmental authorities.

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

Market Information

Our common stock is traded on the NASDAQ Stock Market, LLC ("NASDAQ") under the symbol "LMNR." There is no assurance that our common stock will continue to be traded on NASDAQ or that any liquidity will exist for our stockholders.

Market Price

The following table shows the high and low per share price quotations of our common stock for the two most recently completed fiscal years as reported on NASDAQ.

	High	Low
2016		
Fourth Quarter Ended October 31, 2016	$19.69	$16.33
Third Quarter Ended July 31, 2016	$19.08	$14.81
Second Quarter Ended April 30, 2016	$17.89	$11.50
First Quarter Ended January 31, 2016	$17.57	$11.94
2015		
Fourth Quarter Ended October 31, 2015	$20.72	$15.86
Third Quarter Ended July 31, 2015	$23.10	$19.92
Second Quarter Ended April 30, 2015	$23.96	$19.88
First Quarter Ended January 31, 2015	$25.80	$20.02

Holders

On December 31, 2016, there were 250 registered holders of our common stock. The number of registered holders includes banks and brokers who act as nominees, each of whom may represent more than one stockholder.

Dividends

The following table presents cash dividends per common share declared and paid in the periods shown.

	Dividend
2016	
Fourth Quarter Ended October 31, 2016	$ 0.0500
Third Quarter Ended July 31, 2016	$ 0.0500
Second Quarter Ended April 30, 2016	$ 0.0500
First Quarter Ended January 31, 2016	$ 0.0500
2015	
Fourth Quarter Ended October 31, 2015	$ 0.0450
Third Quarter Ended July 31, 2015	$ 0.0450
Second Quarter Ended April 30, 2015	$ 0.0450
First Quarter Ended January 31, 2015	$ 0.0450

In December 2016, we increased our quarterly dividend to $0.055 per common share and we expect to continue to pay quarterly dividends at a similar rate to the extent permitted by the financial results of our business and other factors beyond management's control.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item is incorporated by reference herein from our Proxy Statement (as defined in Part III of this Annual Report on Form 10-K).

Performance Graph

The line graph above compares the percentage change in cumulative total stockholder return of our common stock registered under section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with (i) the cumulative total return of the Russell 2000 Index, assuming reinvestment of dividends, and (ii) the cumulative total return of Dow Jones U.S. Food Producers Index, assuming reinvestment of dividends.

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Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by Issuer and Affiliated Purchasers

None.

Item 6. Selected Financial Data

The following selected financial data are derived from our audited consolidated financial statements. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the financial statements and related notes included elsewhere in this Annual Report.

	Years Ended October 31,				
	2016	2015	2014	2013	2012
Total net revenues	$111,789,000	$100,311,000	$103,462,000	$84,884,000	$65,828,000
Operating income	$9,188,000	$4,583,000	$9,893,000	$5,398,000	$4,556,000
Net income	$8,058,000	$7,082,000	$6,991,000	$4,906,000	$3,150,000
Basic and diluted net income per common share	$0.52	$0.46	$0.46	$0.36	$0.26
Total assets	$305,448,000	$269,370,000	$246,683,000	$209,264,000	$172,052,000
Current and long-term debt	$90,672,000	$89,668,000	$68,150,000	$61,990,000	$89,460,000
Convertible preferred stock	$12,231,000	$12,281,000	$12,331,000	$3,000,000	$3,000,000
Cash dividends declared per share of common stock	$0.20	$0.18	$0.17	$0.15	$0.13

In fiscal year 2016, we capitalized approximately $3.7 million of costs for the expansion of our lemon packing facility, which became operational in March 2016. We purchased the Sheldon Ranch for approximately $15.1 million and capitalized approximately $6.9 million of costs related to our East Areas I & II real estate development projects. Additionally, we capitalized approximately $5.5 million of costs related to orchard development and $1.0 million of costs related to vineyard development.

In fiscal year 2015, we capitalized approximately $15.6 million of costs for the expansion of our lemon packing facility and capitalized approximately $8.0 million of costs related to our East Areas I & II and Windfall Farms real estate development projects. We capitalized approximately $2.7 million of costs in fiscal year 2015 for our agriculture workforce housing project, which was substantially completed in May 2015. Additionally, in February 2015, we purchased $1.2 million of existing lemon trees and irrigation systems on 200 acres of land we lease from Cadiz.

As further described in notes to the consolidated financial statements, during March and April of 2014, pursuant to a Series B-2 Stock Purchase Agreement dated March 21, 2014, we issued an aggregate of 9,300 shares of Series B-2, 4% voting preferred stock with a par value of $100 per share ("Series B-2 Preferred Stock") to WPI-ACP Holdings, LLC ("WPI"), which is affiliated with Water Asset Management, LLC ("WAM") for total proceeds of $9.3 million.

On September 6, 2013, we completed the acquisition of all of the outstanding stock of Associated Citrus Packers, Inc. ("Associated"), a privately owned Arizona corporation, for $18.6 million. The purchase price consisted of the issuance of 705,000 unregistered shares of our Company's common stock with an aggregate value of $16.0 million based on our Company's stock price on the acquisition date, $1.0 million in cash and the repayment of $1.6 million in Associated's long-term debt. The acquisition was structured as a tax-free reorganization under section 368 of the Internal Revenue Code.

On October 11, 2013, we completed the acquisition of Lemons 400 for $8.8 million in cash. This property, located in the town of Porterville in Tulare County, California, consists of approximately 400 acres of productive lemon orchards and 360 acres primarily leased for cattle grazing. The acquisition also included water assets and agricultural equipment and supplies.

In February 2013, we completed the sale of 2,070,000 shares of common stock, at a price of $18.50 per share, to institutional and other investors in a registered offering under our shelf registration statement. The offering represented 16% of our outstanding common stock on an after-issued basis. Upon completion of the offering and issuance of common stock, we had 13,307,085 shares of common stock outstanding. The gross proceeds of the offering totaled $38.3 million and after an underwriting discount of $2.1 million and other offering expenses of $0.3 million, the net proceeds were $35.9 million. During February 2013, we used the net offering proceeds to repay long-term debt.

Certain reclassifications have been made to the Selected Financial Data above to conform to the October 31, 2016 presentation. The Company has reclassified debt issuance costs of $204,000, $142,000 and $175,000 as of October 31, 2014, 2013, and 2012, respectively, from other assets to long-term debt. The Company has reclassified net current deferred income tax assets of $508,000 and $395,000 as of October 31, 2013 and 2012, respectively, from prepaid expenses and other current assets to deferred income taxes.

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

You should read the following discussion and analysis of our financial condition and results of operations together with “Selected Financial Data” and our consolidated financial statements and notes thereto that appear elsewhere in this Annual Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, those presented under “Risk Factors” included in Item 1A and elsewhere in this Annual Report.

Overview

Limoneira Company was incorporated in Delaware in 1990 as the successor to several businesses with operations in California since 1893. We are an agribusiness and real estate development company founded and based in Santa Paula, California, committed to responsibly using and managing our approximately 11,000 acres of land, water resources and other assets to maximize long-term stockholder value. Our current operations consist of fruit production, sales and marketing, real estate development and capital investment activities.

We are one of California's oldest citrus growers. According to Sunkist, we are one of the largest growers of lemons in the United States and, according to the California Avocado Commission, one of the largest growers of avocados in the United States. In addition to growing lemons and avocados, we grow oranges and a variety of other specialty citrus and other crops. We have agricultural plantings throughout Ventura, Tulare, San Bernardino and San Luis Obispo Counties in California, and Yuma, Arizona, which plantings consist of approximately 4,600 acres of lemons, 1,000 acres of avocados, 1,400 acres of oranges and 900 acres of specialty citrus and other crops. We also operate our own packinghouses in Santa Paula, California and Yuma, Arizona, where we process and pack lemons that we grow, as well as lemons grown by others.

Our water resources include water rights, usage rights and pumping rights to the water in aquifers under, and canals that run through, the land we own. Water for our farming operations is sourced from the existing water resources associated with our land, which includes rights to water in the adjudicated Santa Paula Basin (aquifer) and the un-adjudicated Fillmore and Paso Robles Basins (aquifers). We use ground water from the San Joaquin Valley Basin and water from water districts and irrigation districts in Tulare County, which is in California's San Joaquin Valley and we use ground water from the Cadiz Valley Basin in San Bernardino County. We also use surface water in Arizona from the Colorado River through the Yuma Mesa Irrigation and Drainage District.

For more than 100 years, we have been making strategic investments in California agribusiness and real estate development. We currently have three active real estate development projects in California. These projects include multi-family housing and single-family homes comprised of approximately 260 completed units and another approximately 1,800 units in various stages of development.

We have three business divisions: agribusiness, rental operations and real estate development. Our agribusiness division is comprised of two reportable segments, lemon operations and other agribusiness, and currently generates the majority of our revenue from its farming, harvesting and lemon packing and sales operations; our rental operations division generates revenue from our housing, organic recycling and commercial and leased land operations; and our real estate development division primarily generates revenues from the sale of real estate development projects. From a general view, we see the Company as a land and farming company that generates annual cash flows to support its progress into diversified real estate development activities. As real estate developments are monetized, our agriculture business will then be able to expand more rapidly into new regions and markets.

Recent Developments – refer to Part I, Item 1 "Fiscal Year 2016 Highlights and Recent Developments"

Results of Operations

The following table shows the results of operations for:

	Years Ended October 31, 2016		2015		2014	
Net revenues:						
Agribusiness	$106,130,000	95%	$95,124,000	95%	$98,522,000	95%
Rental operations	5,603,000	5%	5,104,000	5%	4,640,000	4%
Real estate development	56,000	-	83,000	-	300,000	1%
Total net revenues	111,789,000	100%	100,311,000	100%	103,462,000	100%
Costs and expenses:						
Agribusiness	83,604,000	81%	77,186,000	81%	74,325,000	79%
Rental operations	3,617,000	4%	3,440,000	4%	3,073,000	3%
Real estate development	2,061,000	2%	1,330,000	1%	1,400,000	2%
Impairments of real estate development assets	-	-	-	-	435,000	1%
Selling, general and administrative	13,319,000	13%	13,772,000	14%	14,336,000	15%
Total costs and expenses	102,601,000	100%	95,728,000	100%	93,569,000	100%
Operating income (loss):						
Agribusiness	22,526,000		17,938,000		24,197,000	
Rental operations	1,986,000		1,664,000		1,567,000	
Real estate development	(2,005,000)		(1,247,000)		(1,535,000)	
Selling, general and administrative	(13,319,000)		(13,772,000)		(14,336,000)	
Operating income	9,188,000		4,583,000		9,893,000	
Other income (expense):						
Interest (expense) income, net	(1,409,000)		(148,000)		60,000	
Equity in earnings of investments	634,000		243,000		263,000	
Gain on sale of stock in Calavo Growers, Inc.	3,419,000		5,033,000		-	
Gain on sale of conservation easement	995,000		-		-	
Gain on sale of Wilson Ranch	-		935,000		-	
Other income, net	498,000		410,000		348,000	
Total other income	4,137,000		6,473,000		671,000	
Income before income taxes	13,325,000		11,056,000		10,564,000	
Income tax provision	(5,267,000)		(3,974,000)		(3,573,000)	

Net income	$8,058,000	$7,082,000	$6,991,000

Non-GAAP Financial Measures

Due to significant depreciable assets associated with the nature of our operations and interest costs associated with our capital structure, management believes that earnings before interest, income taxes, depreciation and amortization ("EBITDA") and adjusted EBITDA, which excludes impairments on real estate development assets when applicable, is an important measure to evaluate our results of operations between periods on a more comparable basis. Such measurements are not prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and should not be construed as an alternative to reported results determined in accordance with GAAP. The non-GAAP information provided is unique to us and may not be consistent with methodologies used by other companies. EBITDA and adjusted EBITDA are summarized and reconciled to net income which management considers to be the most directly comparable financial measure calculated and presented in accordance with GAAP as follows:

	Years Ended October 31,		
	2016	2015	2014
Net income	$8,058,000	$7,082,000	$6,991,000
Interest expense, net	1,409,000	148,000	(60,000)
Income taxes	5,267,000	3,974,000	3,573,000
Depreciation and amortization	5,339,000	4,184,000	3,516,000
EBITDA	20,073,000	15,388,000	14,020,000
Impairments of real estate development assets	-	-	435,000
Adjusted EBITDA	$20,073,000	$15,388,000	$14,455,000

Fiscal Year 2016 Compared to Fiscal Year 2015

Revenues

Total revenue for fiscal year 2016 was $111.8 million compared to $100.3 million for fiscal year 2015. The 11% increase of $11.5 million was primarily the result of increased agribusiness revenues, as detailed below:

	Agribusiness Revenues for the Years Ended October 31,			
	2016	2015	Change	
Lemons	$ 85,267,000	$ 78,978,000	$ 6,289,000	8%
Avocados	10,767,000	7,132,000	3,635,000	51%
Navel and Valencia oranges	6,143,000	5,626,000	517,000	9%
Specialty citrus and other crops	3,953,000	3,388,000	565,000	17%

Agribusiness revenues	$ 106,130,000	$ 95,124,000	$ 11,006,000	12%

- Lemons: The increase in fiscal year 2016 was primarily the result of increased volume of fresh lemons sold and increased lemon by-product and other lemon sales partially offset by lower prices. During fiscal years 2016 and 2015, fresh lemon sales were $71.7 million and $67.0 million, respectively, on 2.9 million and 2.7 million cartons of fresh lemons sold at average per carton prices of $24.72 and $24.81, respectively. The lower average per carton price in fiscal year 2016 compared to fiscal year 2015 was primarily due to less favorable overall market conditions. Additionally, lemon by-products, shipping and handling, commissions and other lemon sales were $13.6 million in fiscal year 2016 compared to $12.0 million in fiscal year 2015.

- Avocados: The increase in fiscal year 2016 was primarily due to increased production partially offset by lower prices. The California avocado crop typically experiences alternating years of high and low production due to plant physiology. During fiscal years 2016 and 2015, 11.4 million and 7.0 million pounds of avocados were sold at average per pound prices of $0.95 and $1.02, respectively. Lower prices in fiscal year 2016 were primarily due to increased supply in the marketplace.

- Navel and Valencia oranges: The increase in fiscal year 2016 was primarily due to higher volume of oranges sold partially offset by lower prices. During fiscal years 2016 and 2015, orange sales were $6.1 million and $5.6 million, respectively, on 1,049,000 and 744,000 40-pound carton equivalents of oranges sold at average per carton prices of $5.86 and $7.56, respectively.

- Specialty citrus and other crops: The increase in fiscal year 2016 was primarily due to higher volume of specialty citrus sold partially offset by lower prices. In fiscal years 2016 and 2015, we sold 349,000 and 253,000 40-pound carton equivalents of specialty citrus at average per carton prices of $8.33 and $10.79, respectively. Additionally, we sold approximately 200 tons of wine grapes for $0.3 million in fiscal year 2016 compared to zero in fiscal year 2015.

Rental operations revenue was $5.6 million in fiscal year 2016 compared to $5.1 million in fiscal year 2015. The increase in fiscal year 2016 was primarily due to a full year of rental revenue from 65 newly completed agricultural workforce housing units that we began renting in May 2015.

Real estate development revenue was $0.1 million in fiscal years 2016 and 2015, comprised primarily of incidental alfalfa sales at our Windfall Farms property.

Costs and Expenses

Total costs and expenses for fiscal year 2016 were $102.6 million compared to $95.7 million for fiscal year 2015. This 7% increase of $6.9 million was primarily attributable to increases in our agribusiness costs. Costs associated with our agribusiness division include packing costs, harvest costs, growing costs, costs related to the lemons we procure from third-party growers and depreciation expense. These costs are discussed further below:

	Agribusiness Costs and Expenses for the Years Ended October 31,			
	2016	2015	Change	
Packing costs	$ 21,939,000	$ 20,644,000	$ 1,295,000	6%
Harvest costs	13,263,000	11,742,000	1,521,000	13%
Growing costs	18,774,000	20,131,000	(1,357,000)	(7)%
Third-party grower costs	25,307,000	21,328,000	3,979,000	19%
Depreciation	4,321,000	3,341,000	980,000	29%
Agribusiness costs and expenses	$ 83,604,000	$ 77,186,000	$ 6,418,000	8%

- Packing costs: Packing costs consist of the costs to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. The increase in fiscal year 2016 was primarily due to higher volume of cartons packed, partially offset by lower average per carton costs compared to fiscal year 2015. In fiscal years 2016 and 2015, we packed and sold 2.9 million and 2.7 million cartons of lemons at average per carton costs of $7.22 and $7.31, respectively. Additionally, packing costs include $1.0 million of shipping costs in fiscal year 2016 compared to $0.9 million in fiscal year 2015.

- Harvest costs: The increase in fiscal year 2016 was primarily attributable to higher lemon, avocado, orange and specialty citrus harvest volumes compared to fiscal year 2015.

- Growing costs: Growing costs, also referred to as cultural costs, consist of orchard maintenance costs such as cultivation, fertilization and soil amendments, pest control, pruning and irrigation. The decrease in fiscal year 2016 is primarily due to decreased lease expense and fertilization and soil amendments of $0.8 million and $0.6 million, respectively, compared to fiscal year 2015.

- Third-party grower costs: We sell lemons that we grow and lemons that we procure from other growers. The cost of procuring lemons from other growers is referred to as third-party grower costs. The increase is primarily due to higher volume of third-party grower lemons sold, partially offset by lower prices. Of the 2.9 million and 2.7 million cartons sold during fiscal years 2016 and 2015, respectively, 1.2 million (42%) and 0.9 million (36%) were procured from third-party growers at average per carton prices of $20.59 and $22.36, respectively. Additionally, we incurred $0.6 million of costs for purchased, packed fruit for resale compared to $1.2 million in fiscal year 2015.

- Depreciation expense in fiscal year 2016 was $1.0 million higher than fiscal year 2015 primarily due to the acquisition of Sheldon Ranches in December 2015 and placement of our new, expanded lemon packing facility into service in March 2016.

Real estate development expenses for fiscal year 2016 were $2.1 million compared to $1.3 million in fiscal year 2015. The increase was primarily due to $1.2 million of transaction costs paid upon entering into a joint venture with Lewis Group of Companies for the residential development of our East Area I project.

Selling, general and administrative expenses for fiscal year 2016 were $13.3 million compared to $13.8 million for fiscal year 2015. This 3% decrease of $0.5 million was primarily attributable to the following:

- $1.2 million decrease in legal and consulting expenses associated with our East Area I real estate development project, which resulted in entering into a real estate development joint venture with the Lewis Group of Companies on November 10, 2015; and

- $1.0 million net increase in salaries, benefits and incentive compensation primarily due to incentive compensation increases as a result of an increase in operating results in fiscal year 2016.

- $0.3 million net decrease in other selling, general and administrative expenses, including certain corporate overhead expenses.

Other Income (Expense)

Other income for fiscal year 2016 was $4.1 million compared to $6.5 million for fiscal year 2015. The $2.3 million decrease in income is primarily the result of:

- $1.3 million increase in net interest expense;
- $0.4 million increase in earnings from equity investments;
- $1.6 million decrease in gain on the sales of stock in Calavo Growers, Inc.;
- $1.0 million sale of a conservation easement in fiscal year 2016; and
- $0.9 million sale of Wilson Ranch in fiscal year 2015.

Income Taxes

We recorded an income tax provision of $5.3 million for fiscal year 2016 on pre-tax income of $13.3 million compared to an income tax provision of $4.0 million for fiscal year 2015 on pre-tax income of $11.1 million. Our effective tax rate is 39.5% for fiscal year 2016 compared to an effective rate of 35.9% for fiscal year 2015. The increase in our effective tax rate in fiscal year 2016 is primarily attributable to decreased Domestic Production Activities Deduction resulting from the current year federal net operating loss. The federal net operating loss was primarily generated by accelerated federal tax depreciation related to new lemon packinghouse assets.

Fiscal Year 2015 Compared to Fiscal Year 2014

Revenues

Total revenue for fiscal year 2015 was $100.3 million compared to $103.5 million for fiscal year 2014. The 3% decrease of $3.2 million was primarily the result of decreased agribusiness revenues, as detailed below:

	Agribusiness Revenues for the Years Ended October 31,			
	2015	2014	Change	
Lemons	$ 78,978,000	$ 79,726,000	$ (748,000)	(1)%
Avocados	7,132,000	7,374,000	(242,000)	(3)%
Navel and Valencia oranges	5,626,000	7,616,000	(1,990,000)	(26)%
Specialty citrus and other crops	3,388,000	3,806,000	(418,000)	(11)%
Agribusiness revenues	$ 95,124,000	$ 98,522,000	$ (3,398,000)	(3)%

- Lemons: The decrease in fiscal year 2015 was primarily the result of decreased volume of fresh lemons sold partially offset by higher prices and increased lemon by-product and other lemon sales. During fiscal years 2015 and 2014, fresh lemon sales were $67.0 million and $69.8 million, respectively, on 2.7 million and 2.9 million cartons of lemons sold at average per carton prices of $24.81 and $24.07, respectively. The higher average per carton price in fiscal year 2015 compared to fiscal year 2014 was primarily due to more favorable overall market conditions. Additionally, lemon by-products, shipping and handling, commissions and other lemon sales were $12.0 million in fiscal year 2015 compared to $9.9 million in fiscal year 2014.

- Avocados: The decrease in fiscal year 2015 was primarily due to lower prices partially offset by increased production. The California avocado crop typically experiences alternating years of high and low production due to plant physiology. During fiscal years 2015 and 2014, 7.0 million and 6.7 million pounds of avocados were sold at average per pound prices of $1.02 and $1.10, respectively. Lower prices in fiscal year 2015 were primarily due to increased supply in the marketplace. Additionally, fiscal year 2014 revenue included a $0.1 million avocado crop insurance claim settlement.

- Navel and Valencia oranges: The decrease in fiscal year 2015 was primarily due to lower prices and decreased volume of oranges sold. During fiscal years 2015 and 2014, orange sales were $5.6 million and $7.6 million, respectively, on 744,000 and 754,000 40-pound carton equivalents of oranges sold at average per carton prices of $7.56 and $10.08, respectively. The higher prices in fiscal year 2014 were primarily due to decreased market supply resulting from a period of freezing temperatures in California’s San Joaquin Valley during December 2013.

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Specialty citrus and other crops: The decrease in fiscal year 2015 was primarily due to lower price and volume of pistachios sold. In fiscal years 2015 and 2014, we sold 70,000 and 111,000 pounds of pistachios at average per pound prices of $4.33 and $6.15, respectively.

Rental operations revenue was $5.1 million in fiscal year 2015 compared to $4.6 million in fiscal year 2014. The increase in fiscal year 2015 was primarily due to additional rental revenue from 65 newly completed agricultural workforce housing units that we began renting in May 2015 and increased organic recycling and other revenue.

Real estate development revenue was $0.1 million in fiscal year 2015 compared to $0.3 million in fiscal year 2014. The decrease in fiscal year 2015 revenue compared to fiscal year 2014 was primarily due to lower alfalfa production at our Windfall Farms development property. In fiscal years 2015 and 2014, we removed approximately 200 acres of alfalfa and planted vineyards.

Costs and Expenses

Total costs and expenses for fiscal year 2015 were $95.7 million compared to $93.6 million for fiscal year 2014. This 2% increase of $2.1 million was primarily attributable to increases in our agribusiness costs of $2.9 million partially offset by decreases in our real estate development costs and selling, general and administrative expenses of, in aggregate, $1.1 million. Costs associated with our agribusiness division include packing costs, harvest costs, growing costs, costs related to the lemons we procure from third-party growers and depreciation expense. These costs are discussed further below:

	Agribusiness Costs and Expenses for the Years Ended October 31,			
	2015	2014	Change	
Packing costs	$ 20,644,000	$ 17,925,000	$ 2,719,000	15%
Harvest costs	11,742,000	11,110,000	632,000	6%
Growing costs	20,131,000	19,814,000	317,000	2%
Third-party grower costs	21,328,000	22,649,000	(1,321,000)	(6)%
Depreciation	3,341,000	2,827,000	514,000	18%
Agribusiness costs and expenses	$ 77,186,000	$ 74,325,000	$ 2,861,000	4%

- Packing costs: Packing costs consist of the costs to pack lemons for sale such as labor and benefits, cardboard cartons, fruit treatments, packing and shipping supplies and facility operating costs. The increase in fiscal year 2015 was primarily due to $2.5 million of costs at our Yuma, Arizona packinghouse which was acquired in June 2014 and higher per carton packing costs. In fiscal years 2015 and 2014, we packed and sold 2.7 million and 2.9 million cartons of lemons at average per carton costs of $7.31 and $6.11, respectively. The increase in average per carton costs is primarily the result of decreased volume of fresh lemons packed and sold. Additionally, packing costs include $0.9 million of shipping costs in fiscal year 2015 compared to $0.2 million in fiscal year 2014.

- Harvest costs: The increase in fiscal year 2015 was primarily attributable to higher lemon harvest costs and higher avocado and olive harvest volumes compared to fiscal year 2014.

- Growing costs: Growing costs, also referred to as cultural costs, consist of orchard maintenance costs such as cultivation, fertilization and soil amendments, pest control, pruning and irrigation. The increase in fiscal year 2015 was primarily due to increased fertilization and soil amendments and pest control costs of $0.7 million and $0.3 million, respectively, partially offset by decreased lease expense and pruning costs of $0.6 million and $0.1 million, respectively, compared to fiscal year 2014.

- Third-party grower costs: We sell lemons that we grow and lemons that we procure from other growers. The cost of procuring lemons from other growers is referred to as third-party grower costs. Of the 2.7 million and 2.9 million cartons sold during fiscal years 2015 and 2014, respectively, 0.9 million (36%) and 1.0 million (36%) were procured from third-party growers at average per carton prices of $22.36 and $21.00, respectively. Additionally, we incurred $1.2 million of costs for purchased, packed fruit for resale compared to $1.6 million in fiscal year 2014.

- Depreciation expense in fiscal year 2015 was $0.5 million higher than fiscal year 2014 primarily due to a net increase in assets placed into service and the acquisition of our Yuma, Arizona packinghouse in June 2014.

Real estate development expenses for fiscal year 2015 were $1.3 million compared to $1.8 million in fiscal year 2014. In July 2014, we recognized an impairment charge of $0.4 million on our Centennial real estate development project. There were no impairment charges recognized in fiscal year 2015.

Selling, general and administrative expenses for fiscal year 2015 were $13.8 million compared to $14.3 million for fiscal year 2014. This 4% decrease of $0.5 million was primarily attributable to the following:

- $1.3 million net decrease in salaries, benefits and incentive compensation primarily due to incentive compensation decreases as a result of a decrease in operating income in fiscal year 2015 compared to fiscal year 2014; and

- $0.9 million increase in legal and consulting expenses associated with our East Area I real estate development project, which resulted in entering into a real estate development joint venture with the Lewis

Group of Companies on November 10, 2015.

Other Income (Expense)

Other income for fiscal year 2015 was $6.5 million compared to $0.7 million for fiscal year 2014. The $5.8 million increase in income was primarily the result of:

- $0.2 million increase in net interest expense;
- $5.0 million gain on the sale of stock in Calavo Growers, Inc.; and
- $0.9 million gain on the sale of Wilson Ranch.

Income Taxes

We recorded an income tax provision of $4.0 million for fiscal year 2015 on pre-tax income of $11.1 million compared to an income tax provision of $3.6 million for fiscal year 2014 on pre-tax income of $10.6 million. Our effective tax rate is 35.9% for fiscal year 2015 compared to an effective rate of 33.8% for fiscal year 2014.

Segment Results of Operations

We operate in four reportable operating segments; lemon operations, other agribusiness, rental operations and real estate development. Our reportable operating segments are strategic business units with different products and services, distribution processes and customer bases. We evaluate the performance of our operating segments separately to monitor the different factors affecting financial results. Each segment is subject to review and evaluations related to current market conditions, market opportunities and available resources. See Note 24, Segment Information, to the consolidated financial statements included in this Annual Report for additional information regarding our operating segments.

The following table provides segment information for fiscal years 2016, 2015 and 2014:

	Years Ended October 31,		
	2016	2015	2014
Lemon operations:			
Revenues	$85,267,000	$78,978,000	$79,726,000
Costs and expenses	66,558,000	61,766,000	59,412,000
Operating income	18,709,000	17,212,000	20,314,000
Other agribusiness:			
Revenues	20,863,000	16,146,000	18,796,000
Costs and expenses	12,725,000	12,079,000	12,086,000
Operating income	8,138,000	4,067,000	6,710,000
Lemon and other agribusiness depreciation and amortization	4,321,000	3,341,000	2,827,000
Total agribusiness operating income	22,526,000	17,938,000	24,197,000
Rental operations:			
Revenues	5,603,000	5,104,000	4,640,000
Costs and expenses	2,885,000	2,859,000	2,651,000
Depreciation and amortization	732,000	581,000	422,000
Operating income	1,986,000	1,664,000	1,567,000
Real estate development:			
Revenues	56,000	83,000	300,000
Costs and expenses	2,006,000	1,284,000	1,756,000
Depreciation and amortization	55,000	46,000	79,000
Operating loss	(2,005,000)	(1,247,000)	(1,535,000)
Selling, general and administrative expenses	(13,319,000)	(13,772,000)	(14,336,000)
Total operating income	$9,188,000	$4,583,000	$9,893,000

Fiscal Year 2016 Compared to Fiscal Year 2015

The following analysis should be read in conjunction with the previous section "Results of Operations."

Lemon operations

For fiscal year 2016 our lemon operations segment revenue was $85.3 million compared to $79.0 million for fiscal year 2015, an 8% increase of $6.3 million.

Costs and expenses associated with our lemon operations segment include packing costs, harvest costs, growing costs and costs related to the fruit we procure from third-party growers. For fiscal year 2016, our lemon operations costs were $66.6 million compared to $61.8 million for fiscal year 2015. The 8% increase of $4.8 million primarily consists of the following:

- Packing costs for fiscal year 2016 were $1.3 million higher than fiscal year 2015.
- Harvest costs for fiscal year 2016 were $0.1 million higher than fiscal year 2015.
- Growing costs for fiscal year 2016 were $0.6 million lower than fiscal year 2015.
- Third-party grower costs for fiscal year 2016 were $4.0 million higher than fiscal year 2015.

Other agribusiness

For fiscal year 2016, our other agribusiness segment revenue was $20.9 million compared to $16.1 million for fiscal year 2015. The 29% increase of $4.8 million primarily consists of the following:

- Avocado revenue for fiscal year 2016 was $3.7 million higher than fiscal year 2015.

- Navel and Valencia orange revenue in fiscal year 2016 was $0.5 million higher than in fiscal year 2015.

- Specialty citrus and other crop revenue for fiscal year 2016 was $0.6 million higher than fiscal year 2015.

Costs and expenses associated with our other agribusiness segment include harvest and growing costs. Our other agribusiness costs and expenses for fiscal year 2016 were $12.7 million compared to $12.1 million for fiscal year 2015. The 5% increase of $0.6 million primarily consists of the following:

- Harvest costs for fiscal year 2016 were $1.3 million higher than fiscal year 2015.

- Growing costs for fiscal year 2016 were $0.7 million lower than fiscal year 2015.

Lemon and other agribusiness depreciation and amortization for fiscal year 2016 were $4.3 million compared to $3.3 million for fiscal year 2015. The 29% increase of $1.0 million was primarily due to the acquisition of Sheldon Ranches in December 2015 and placement of our new, expanded lemon packing facility into service in March 2016.

Rental Operations

Our rental operations segment had revenues of approximately $5.6 million and $5.1 million in fiscal years 2016 and 2015, respectively. The $0.5 million increase in fiscal year 2016 was primarily due to a full year of rental revenue from 65 additional agriculture workforce housing units that we began renting in May 2015.

Costs and expenses in our rental operations segment were approximately $3.6 million and $3.4 million in fiscal years 2016 and 2015, respectively. Depreciation expense was $0.7 million and $0.6 million in fiscal years 2016 and 2015, respectively.

Real Estate Development

Our real estate development segment had revenues of approximately $0.1 million in fiscal years 2016 and 2015, respectively.

Costs and expenses in our real estate development segment were approximately $2.1 million and $1.3 million in fiscal years 2016 and 2015, respectively.

Selling, general and administrative expenses

Selling, general and administrative expenses include corporate and other costs and expenses not allocated to the operating segments. Selling, general and administrative expenses for fiscal year 2016 were $0.5 million lower than fiscal year 2015.

Fiscal Year 2015 Compared to Fiscal Year 2014

The following analysis should be read in conjunction with the previous section "Results of Operations."

Lemon operations

For fiscal year 2015 our lemon operations segment revenue was $79.0 million compared to $79.7 million for fiscal year 2014, a 1% decrease of $0.7 million.

Costs and expenses associated with our lemon operations segment include packing costs, harvest costs, growing costs and costs related to the fruit we procure from third-party growers. For fiscal year 2015, our lemon operations costs were $61.8 million compared to $59.4 million for fiscal year 2014. The 4% increase of $2.4 million primarily consists of the following:

- Packing costs for fiscal year 2015 were $2.7 million higher than fiscal year 2014.
- Harvest costs for fiscal year 2015 were $0.3 million higher than fiscal year 2014.
- Growing costs for fiscal year 2015 were $0.7 million higher than fiscal year 2014.
- Third-party grower costs for fiscal year 2015 were $1.3 million lower than fiscal year 2014.

Other agribusiness

For fiscal year 2015, our other agribusiness segment revenue was $16.1 million compared to $18.8 million for fiscal year 2014. The 14% decrease of $2.7 million primarily consists of the following:

- Avocado revenue for fiscal year 2015 was $0.3 million lower than fiscal year 2014.

- Navel and Valencia orange revenue in fiscal year 2015 was $2.0 million lower than in fiscal year 2014.

- Specialty citrus and other crop revenue for fiscal year 2015 was $0.4 million lower than fiscal year 2014.

Costs and expenses associated with our other agribusiness segment include harvest and growing costs. Our other agribusiness costs and expenses for fiscal year 2015 were similar to fiscal year 2014 at $12.1 million:

- Harvest costs for fiscal year 2015 were $0.4 million higher than fiscal year 2014.
- Growing costs for fiscal year 2015 were $0.4 million lower than fiscal year 2014.

Lemon and other agribusiness depreciation and amortization for fiscal year 2015 were $3.3 million compared to $2.8 million for fiscal year 2014. The 18% increase of $0.5 million was primarily due to a net increase in assets placed into service and the acquisition of our Yuma, Arizona packinghouse in June 2014.

Rental Operations

Our rental operations segment had revenues of approximately $5.1 million and $4.6 million in fiscal years 2015 and 2014, respectively. The $0.5 million increase in fiscal year 2015 was primarily due to rental revenue from 65 additional agriculture workforce housing units that we began renting in May 2015 and increased organic recycling and other revenue.

Costs and expenses in our rental operations segment were approximately $3.4 million and $3.1 million in fiscal years 2015 and 2014, respectively. Depreciation expense was $0.6 million and $0.4 million in fiscal years 2015 and 2014, respectively.

Real Estate Development

Our real estate development segment had revenues of approximately $0.1 million and $0.3 million in fiscal years 2015 and 2014, respectively.

Costs and expenses in our real estate development segment were approximately $1.3 million and $1.8 million in fiscal years 2015 and 2014, respectively.

Selling, general and administrative expenses

Selling, general and administrative expenses include corporate and other costs and expenses not allocated to the operating segments. Selling, general and administrative expenses for fiscal year 2015 were $0.5 million lower than fiscal year 2014.

Quarterly Results of Operations

The following table presents our operating results for each of the fiscal quarters in the periods ended October 31, 2016 and October 31, 2015, respectively. The information for each of these quarters is derived from our unaudited interim financial statements and should be read in conjunction with the audited consolidated financial statements included in this Annual Report. All necessary adjustments, which consist only of normal and recurring accruals, have been included to fairly present our unaudited quarterly results. As with any agribusiness enterprise, our agribusiness operations are highly seasonal in nature. The harvest and sale of our lemons, avocados, oranges and specialty citrus and other crops occurs in all quarters, but is generally more concentrated during the third quarter.

(in thousands, except per common share amounts)	Three Months Ended 2016			
Statement of Operations Data:	Oct. 31,	July 31,	Apr. 30,	Jan. 31,
Revenues	$19,534	$39,903	$27,365	$24,987
Costs and expenses	20,421	25,709	25,150	31,321
Operating income (loss)	(887)	14,194	2,215	(6,334)
Other income (loss), net	1,085	3,228	(431)	255
Income (loss) before income taxes	198	17,422	1,784	(6,079)
Income tax (provision) benefit	(179)	(6,693)	(562)	2,167
Net income (loss)	$19	$10,729	$1,222	$(3,912)
Net income (loss) per common share:				
Basic	$(0.01)	$0.75	$0.08	$(0.29)
Diluted	$(0.01)	$0.71	$0.08	$(0.29)
Number of shares used in per common share computations:				
Basic	14,178	14,178	14,174	14,148
Diluted	14,178	15,066	14,174	14,148

	Three Months Ended 2015			
Statement of Operations Data:	Oct. 31,	July 31,	Apr. 30,	Jan. 31,
Revenues	$14,212	$29,811	$28,277	$28,011
Costs and expenses	19,090	21,973	24,137	30,528
Operating income (loss)	(4,878)	7,838	4,140	(2,517)
Other income, net	6,029	251	(121)	314