ALEXANDER & BALDWIN INC
Form 10-Q
November 05, 2010

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2010

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______________________ to _________________

Commission file number 000-00565

ALEXANDER & BALDWIN, INC.
(Exact name of registrant as specified in its charter)

Hawaii (State or other jurisdiction of incorporation or organization)	99-0032630 (I.R.S. Employer Identification No.)
P. O. Box 3440, Honolulu, Hawaii 822 Bishop Street, Honolulu, Hawaii (Address of principal executive offices)	96801 96813 (Zip Code)

(808) 525-6611
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

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

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

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

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 x No o

Number of shares of common stock outstanding as of September 30, 2010: 41,268,707

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(In millions, except per-share amounts) (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue:				
Operating revenue	$ 444.3	$ 371.0	$ 1,185.6	$ 1,034.3
Costs and Expenses:				
Costs of goods sold, services and rentals	362.3	320.9	974.9	890.8
Selling, general and administrative	40.4	35.6	116.0	116.8
Operating costs and expenses	402.7	356.5	1,090.9	1,007.6
Operating Income	41.6	14.5	94.7	26.7
Other Income and (Expense):				
Gain on insurance settlement and other	--	--	1.4	--
Equity in income of real estate affiliates	4.4	0.3	3.5	0.5
Interest income	0.1	0.1	2.1	0.3
Interest expense	(6.3)	(6.7)	(19.3)	(19.2)
Income Before Taxes	39.8	8.2	82.4	8.3
Income Taxes	15.0	3.7	31.9	4.0
Income From Continuing Operations	24.8	4.5	50.5	4.3
Income From Discontinued Operations (net of income taxes)	0.9	4.0	21.4	19.8
Net Income	$ 25.7	$ 8.5	$ 71.9	$ 24.1
Basic Earnings Per Share:				
Continuing operations	$ 0.60	$ 0.11	$ 1.23	$ 0.10
Discontinued operations	0.02	0.10	0.52	0.49
Net income	$ 0.62	$ 0.21	$ 1.75	$ 0.59
Diluted Earnings Per Share:				
Continuing operations	$ 0.60	$ 0.11	$ 1.22	$ 0.10
Discontinued operations	0.02	0.10	0.52	0.49
Net income	$ 0.62	$ 0.21	$ 1.74	$ 0.59
Weighted Average Number of Shares Outstanding:				
Basic	41.3	41.0	41.2	41.0
Diluted	41.5	41.2	41.4	41.0
Cash Dividends Per Share	$ 0.315	$ 0.315	$ 0.945	$ 0.945

See Notes to Condensed Consolidated Financial Statements.

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In millions) (Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 14	$ 16
Accounts and notes receivable, net	172	172
Inventories	42	43
Real estate held for sale	27	36
Deferred income taxes	6	6
Section 1031 exchange proceeds	3	1
Prepaid expenses and other assets	42	33
Total current assets	306	307
Investments in Affiliates	320	242
Real Estate Developments	110	88
Property, at cost	2,785	2,715
Less accumulated depreciation and amortization	1,234	1,179
Property – net	1,551	1,536
Employee Benefit Plan Assets	3	3
Other Assets	151	204
Total	$ 2,441	$ 2,380
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable and current portion of long-term debt	$ 33	$ 65
Accounts payable	122	132
Payroll and employee benefits	19	18
Uninsured claims	10	9
Accrued and other liabilities	50	73
Total current liabilities	234	297
Long-term Liabilities:		
Long-term debt	467	406
Deferred income taxes	439	428
Employee benefit plans	115	116
Uninsured claims and other liabilities	54	48
Total long-term liabilities	1,075	998
Commitments and Contingencies (Note 2)		
Shareholders' Equity:		
Capital stock	34	33
Additional capital	219	210
Accumulated other comprehensive loss	(75)	(81)
Retained earnings	965	934
Cost of treasury stock	(11)	(11)
Total shareholders' equity	1,132	1,085
Total	$ 2,441	$ 2,380

See Notes to Condensed Consolidated Financial Statements.

ALEXANDER & BALDWIN, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In millions) (Unaudited)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Cash Flows from Operating Activities	$ 81	$ 78
Cash Flows from Investing Activities:		
Capital expenditures	(39)	(27)
Proceeds from disposal of property and other assets	28	31
Deposits into Capital Construction Fund	(4)	(4)
Withdrawals from Capital Construction Fund	4	4
Increase in investments	(78)	(17)
Reduction in investments	12	5
Net cash used in investing activities	(77)	(8)
Cash Flows from Financing Activities:		
Proceeds from issuances of long-term debt	163	215
Payments of long-term debt	(111)	(238)
Proceeds from (payments on) short-term borrowings, net	(23)	(10)
Proceeds from issuances of capital stock, including excess tax benefit	4	(1)
Dividends paid	(39)	(39)
Net cash used in financing activities	(6)	(73)
Net Decrease in Cash and Cash Equivalents	$ (2)	$ (3)
Other Cash Flow Information:		
Interest paid	$ (21)	$ (19)
Income taxes paid	$ (40)	$ (26)
Other Non-cash Information:		
Depreciation and amortization expense	$ 79	$ 79
Tax-deferred real estate sales	$ 78	$ 48
Tax-deferred real estate purchases	$ (91)	$ (90)

See Notes to Condensed Consolidated Financial Statements.

Alexander & Baldwin, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Description of Business: Founded in 1870, Alexander & Baldwin, Inc. (“A&B” or the “Company”) is incorporated under the laws of the State of Hawaii. A&B operates in five segments in three industries: Transportation, Real Estate and Agribusiness. These industries are described below:

Transportation: The Transportation Industry consists of Ocean Transportation and Logistics Services segments. The Ocean Transportation segment, which is conducted through Matson Navigation Company, Inc. (“Matson”), a wholly-owned subsidiary of A&B, is an asset-based business that derives its revenue primarily through the carriage of containerized freight between various U.S. Pacific Coast, Hawaii, Guam, China and other Pacific island ports. Additionally, the Ocean Transportation segment has a 35 percent interest in an entity (SSA Terminals, LLC or “SSAT”) that provides terminal and stevedoring services at U.S. Pacific Coast facilities. The Logistics Services segment, which is conducted through Matson Integrated Logistics, Inc. (“MIL”), a wholly-owned subsidiary of Matson, is a non-asset based business that is a provider of domestic and international rail intermodal service (“Intermodal”), long-haul and regional highway brokerage, specialized hauling, flat-bed and project work, less-than-truckload, expedited/air freight services, and warehousing and distribution services (collectively “Highway”). Warehousing and distribution services are provided by Matson Global Distribution Services, Inc. (“MGDS”), a wholly-owned subsidiary of MIL. MGDS’s operations also include Pacific American Services, LLC (“PACAM”), a San Francisco bay-area regional warehousing, packaging, and distribution company.

Real Estate: The Real Estate Industry consists of two segments, both of which have operations in Hawaii and on the U.S. Mainland. The Real Estate Sales segment generates its revenues through the development and sale of land and commercial and residential properties. The Real Estate Leasing segment owns, operates, and manages retail, office, and industrial properties. Real estate activities are conducted through A&B Properties, Inc., various other wholly-owned subsidiaries of A&B, and affiliates of A&B.

Agribusiness: Agribusiness, which contains one segment, produces bulk raw sugar, specialty food-grade sugars, molasses, green coffee and roasted coffee; markets and distributes green coffee, roasted coffee, and specialty food-grade sugars; provides general trucking services, mobile equipment maintenance and repair services in Hawaii; and generates and sells, to the extent not used in the Company’s operations, electricity. The Company also is the sole member in Hawaiian Sugar & Transportation Cooperative (“HS&TC”), a cooperative that provides raw sugar marketing and transportation services. HS&TC was consolidated with the Company’s results beginning December 1, 2009.

(1) The Condensed Consolidated Financial Statements are unaudited. Because of the nature of the Company’s operations, the results for interim periods are not necessarily indicative of results to be expected for the year. While these condensed consolidated financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for the fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. Therefore, the interim Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company’s Annual Report filed on Form 10-K for the year ended December 31, 2009.

(2) Commitments, Guarantees and Contingencies: Commitments and financial arrangements (excluding lease commitments disclosed in Note 8 of the Company’s Annual Report filed on Form 10-K for the year ended December 31, 2009) at September 30, 2010, included the following (in millions):

Standby letters of credit	(a)	$ 20
Performance and customs bonds	(b)	$ 19
Benefit plan withdrawal obligations	(c)	$ 99

These amounts are not recorded on the Company's condensed consolidated balance sheet and it is not expected that the Company or its subsidiaries will be called upon to advance funds under these commitments.

(a) Represents letters of credit, of which, approximately $9 million enable the Company to qualify as a self-insurer for state and federal workers' compensation liabilities. Additionally, the balance also includes two letters of credit totaling $11 million related to the Company's real estate projects.

(b) Consists of approximately $17 million in U.S. customs bonds, approximately $1 million in bonds related to real estate construction projects in Hawaii, and approximately $1 million related to transportation and other matters.

(c) Represents the withdrawal liabilities as of the most recent valuation dates for multiemployer pension plans, in which Matson is a participant. Management has no present intention of withdrawing from, and does not anticipate the termination of, any of the aforementioned plans.

Indemnity Agreements: For certain real estate joint ventures, the Company may be obligated under bond indemnities to complete construction of the real estate development if the joint venture does not perform. These indemnities are designed to protect the surety in exchange for the issuance of surety bonds that cover construction activities, such as project amenities, roads, utilities, and other infrastructure. The recorded amounts of the indemnity liabilities were not material. Under the indemnities, the Company and its joint venture partners agree to indemnify the surety bond issuer from all losses and expenses arising from the failure of the joint venture to complete the specified bonded construction. The maximum potential amount of aggregate future payments is a function of the amount covered by outstanding bonds at the time of default by the joint venture, reduced by the amount of work completed to date.

Completion Guarantees: For certain real estate joint ventures, the Company may be required to perform work to complete construction if the joint venture fails to complete construction. These guarantees are intended to assure the joint venture's lender that the project will be completed as represented to the lender. The recorded amounts of these liabilities were not material. The maximum potential amount of aggregate future payments related to the Company's completion guarantees is a function of the work agreed to be completed, reduced by the amount of work completed to date at the time of default by the joint venture.

Legal Proceedings and Other Contingencies: A&B owns 16,000 acres of watershed lands in East Maui that supply a significant portion of the irrigation water used by HC&S. A&B also held four water licenses to another 30,000 acres owned by the State of Hawaii in East Maui, which over the years have supplied approximately two-thirds of the irrigation water used by HC&S. The last of these water license agreements expired in 1986, and all four agreements were then extended as revocable permits that were renewed annually. In 2001, a request was made to the State Board of Land and Natural Resources (the "BLNR") to replace these revocable permits with a long-term water lease. Pending the conclusion by the BLNR of this contested case hearing on the request for the long-term lease, the BLNR has renewed the existing permits on a holdover basis. If the Company is not permitted to utilize fully stream waters from State lands in East Maui, it could have a material adverse effect on the Company's sugar-growing operations.

In addition, on May 24, 2001, petitions were filed by a third party, requesting that the Commission on Water Resource Management of the State of Hawaii ("Water Commission") establish interim instream flow standards ("IIFS") in 27 East Maui streams that feed the Company's irrigation system. On September 25, 2008, the Water Commission took action on eight of the petitions, resulting in some quantity of water being returned to the streams rather than being utilized for irrigation purposes. In May 2010, the Water Commission took action on the remaining 19 streams resulting in additional water being returned to the streams. A petition requesting a contested case hearing to challenge the Water Commission's decisions was filed with the Commission by the opposing third party. On October 18, 2010, the Water Commission denied the petitioner's request for a contested case hearing.

On June 25, 2004, two organizations filed with the Water Commission a petition to establish IIFS for four streams in West Maui to increase the amount of water to be returned to these streams. The West Maui irrigation system provides approximately one-sixth of the irrigation water used by HC&S. The Water Commission issued a decision in June 2010, which required the return of water in two of the four streams. In July 2010, the two organizations appealed the Water Commission's decision to the Hawaii Intermediate Court of Appeals.

The loss of East Maui and West Maui water as a result of the Water Commission's decisions will impose challenges to the Company's sugar growing operations. While the resulting water loss does not immediately threaten near-term sugar production, it will result in a future suppression of sugar yields and will have an impact on the Company that will only be quantifiable over time. Accordingly, the Company is unable to predict, at this time, the outcome or financial impact of the water proceedings.

On April 21, 2008, Matson was served with a grand jury subpoena from the U.S. District Court for the Middle District of Florida for documents and information relating to water carriage in connection with the Department of Justice's investigation into the pricing and other competitive practices of carriers operating in the domestic trades. While the investigation was initiated in the Puerto Rico trade, it also includes pricing and other competitive practices in connection with all domestic trades, including the Alaska, Hawaii and Guam trades. Matson does not operate vessels in the Puerto Rico and Alaska trades. It does operate vessels in the Hawaii and Guam trades. Matson has cooperated, and will continue to cooperate, fully with the Department of Justice. If the Department of Justice believes that any violations have occurred on the part of Matson or the Company, it could seek civil or criminal sanctions, including monetary fines. The Company is unable to predict, at this time, the outcome or financial impact, if any, of this investigation.

The Company and Matson were named as defendants in a consolidated civil lawsuit purporting to be a class action in the U.S. District Court for the Western District of Washington in Seattle. The lawsuit alleged violations of the antitrust laws and also named as a defendant Horizon Lines, Inc., another domestic shipping carrier operating in the Hawaii and Guam trades. On August 18, 2009, the court granted the defendants' motion to dismiss the complaint with leave to amend the complaint to allege claims consistent with the court's order. On May 28, 2010, the plaintiffs filed a second amended complaint. The Company and Matson will continue to vigorously defend themselves in this lawsuit. The Company is unable to predict, at this time, the outcome or financial impact, if any, of this lawsuit.

In addition to the above matters, the Company and certain subsidiaries are parties to various other legal actions and are contingently liable in connection with claims and contracts arising in the normal course of business, the outcome of which, in the opinion of management after consultation with legal counsel, will not have a material adverse effect on the Company's consolidated financial position or results of operations.

The Environmental Protection Agency ("EPA") recently released proposed nationwide standards for controlling hazardous air pollutant emissions from industrial, commercial, institutional boilers and process heaters, which would apply to Hawaiian Commercial & Sugar Company's three boilers. The biomass power industry, along with a number of Congressional members, has opposed, or proposed amendments to, the EPA's draft rules. The EPA is expected to issue its final regulations in early 2011, with compliance likely required by early 2014. Given the uncertainty as to what the regulations will ultimately require when they are finalized, and further in view of the Company's continuing evaluation of alternative operating models for its sugar business, the Company is unable to predict at this time, the financial impact, if any, of the regulations.

The Company is also subject to other possible climate change legislation, regulation and international accords. Numerous bills related to climate change, such as limiting and reducing greenhouse gas emissions through a "cap and trade" system of allowances and credits, have been introduced in the U.S. Congress. If enacted, these regulations could impose significant additional costs on the Company, including increased energy costs, higher material prices, and costly mandatory vessel and equipment modifications. The Company is unable to predict, at this time, the outcome or financial impact, if any, of future climate change related legislation.

(3) Earnings Per Share ("EPS"): The denominator used to compute basic and diluted earnings per share is as follows (in millions):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Denominator for basic EPS – weighted average shares	41.3	41.0	41.2	41.0
Effect of dilutive securities:				
Employee/director stock options and restricted stock units	0.2	0.2	0.2	--
Denominator for diluted EPS – weighted average shares	41.5	41.2	41.4	41.0

Basic earnings per share is computed based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares, if any, that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive shares of common stock include non-qualified stock options and restricted stock units.

The computation of weighted average dilutive shares outstanding excluded non-qualified stock options to purchase approximately 1.6 million and 1.5 million shares of common stock for the three months ended September 30, 2010 and 2009, respectively. The computation of weighted average dilutive shares outstanding excluded non-qualified stock options to purchase approximately 1.9 million shares of common stock for each of the nine month periods ended September 30, 2010 and 2009. These options were excluded because the options' exercise prices were greater than the average market price of the Company's common stock for the periods presented and, therefore, the effect would be anti-dilutive.

(4) Share-Based Compensation: Through September 30, 2010, the Company granted non-qualified stock options to purchase approximately 424,742 shares of the Company's common stock. The weighted average grant-date fair value of each stock option granted, using the Black-Scholes-Merton option pricing model, was $6.59 using the following weighted average assumptions: volatility of 28.8 percent, risk-free interest rate of 2.7 percent, dividend yield of 3.8 percent, and expected term of 5.8 years.

Activity in the Company's stock option plans through September 30, 2010 was as follows (in thousands, except weighted average exercise price and weighted average contractual life):

		Predecessor Plans					
	2007 Plan	1998 Employee Plan	1998 Directors' Plan	Total Shares	Weighted Average Exercise Price	Weighted Average Contractual Life	Aggregate Intrinsic Value
Outstanding, January 1, 2010	958	1,291	196	2,445	$36.80		
Granted	425	--	--	425	$33.01		
Exercised	(17)	(165)	(6)	(188)	$26.56		
Forfeited and expired	(28)	(10)	--	(38)	$40.92		
	1,338	1,116	190	2,644	$36.86	5.7	$9,241

Outstanding, September 30, 2010							
Exercisable September 30, 2010	456	1,116	190	1,762	$39.46	4.5	$4,663

The following table summarizes non-vested common stock and restricted stock unit activity through September 30, 2010 (in thousands, except weighted-average, grant-date fair value amounts):

	2007 Plan Restricted Stock Units	Weighted Average Grant-Date Fair Value	Predecessor Plans Non-Vested Common Stock Shares	Weighted Average Grant-Date Fair Value
Outstanding January 1, 2010	427	$27.06	15	$48.19
Granted	187	$33.51	--	--
Vested	(93)	$32.28	(15)	$48.19
Canceled	(190)	$23.71	--	--
Outstanding September 30, 2010	331	$31.16	--	--

A portion of the restricted stock unit awards are time-based awards that vest ratably over three years. The remaining portion of the awards represent performance-based awards that vest after three years, provided certain performance targets related to the first year of the performance period are achieved.

A summary of the compensation cost related to share-based payments is as follows (in millions):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Share-based expense (net of estimated forfeitures):				
Stock options	$ 0.5	$ 0.8	$ 1.3	$ 2.5
Non-vested common stock/Restricted stock units	1.4	1.2	4.0	3.8
Total share-based expense	1.9	2.0	5.3	6.3
Total recognized tax benefit	(0.6)	(0.6)	(1.7)	(1.9)
Share-based expense (net of tax)	$ 1.3	$ 1.4	$ 3.6	$ 4.4

(5) Accounting for and Classification of Discontinued Operations: As required by FASB ASC Subtopic 205-20, Discontinued Operations, the sales of certain income-producing assets are classified as discontinued operations if (i) the operations and cash flows of the component have been, or will be, eliminated from the ongoing operations of the Company as a result of the disposal transaction and (ii) the Company will not have any significant continuing involvement in the operations of the component after the disposal transaction. Certain income-producing properties that are classified as "held for sale" under the requirements of FASB ASC Subtopic 205-20, are also treated as discontinued operations. Depreciation on these assets ceases upon their classification as "held-for-sale." Sales of land, residential units, and office condominium units are generally considered inventory and are not included in discontinued operations.

Income from discontinued operations consisted of (in millions):

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Discontinued operations (net of tax):				
Sales of assets	$ 0.4	$ 2.4	$ 19.7	$ 13.7
Leasing operations	0.5	1.6	1.7	6.1
Total	$ 0.9	$ 4.0	$ 21.4	$ 19.8

Discontinued operations includes the results for properties that were sold through September 30, 2010 and, if applicable, the operating results of properties still owned, but meet the definition of "discontinued operations" under FASB ASC Subtopic 205-20. Operating results included in the Condensed Consolidated Statements of Income and the segment results (Note 9) for the third quarter and first nine months of 2009 have been restated to reflect property that was classified as discontinued operations subsequent to September 30, 2009.

(6) Comprehensive income for the three and nine months ended September 30, 2010 and 2009 consisted of (in millions):

	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Net income	$ 25.7	$ 8.5	$ 71.9	$ 24.1
Amortization of net loss and prior service costs	1.5	1.9	5.9	5.7
Other	--	--	0.1	0.1
Comprehensive income (net of tax)	$ 27.2	$ 10.4	$ 77.9	$ 29.9

(7) Pension and Post-retirement Plans: The Company has defined benefit pension plans that cover substantially all non-bargaining unit and certain bargaining unit employees. The Company also has unfunded non-qualified plans that provide benefits in excess of the amounts permitted to be paid under the provisions of the tax law to participants in qualified plans. The assumptions related to discount rates, expected long-term rates of return on invested plan assets, salary increases, age, mortality and health care cost trend rates, along with other factors, are used in determining the assets, liabilities and expenses associated with pension benefits. Management reviews the assumptions annually with its independent actuaries, taking into consideration existing and future economic conditions and the Company's intentions with respect to these plans. Management believes that its assumptions and estimates for 2010 are reasonable. Different assumptions, however, could result in material changes to the assets, obligations and costs associated with benefit plans.

The components of net periodic benefit cost recorded for the third quarters of 2010 and 2009 were as follows (in millions):

	Pension Benefits 2010	Pension Benefits 2009	Post-retirement Benefits 2010	Post-retirement Benefits 2009
Service cost	$ 1.9	$ 2.0	$ 0.2	$ 0.2
Interest cost	4.9	4.8	0.9	0.8
Expected return on plan assets	(5.1)	(5.0)	--	--
Amortization of prior service cost	0.2	0.2	--	0.1
Amortization of net (loss) gain	2.0	2.9	--	(0.1)
Net periodic benefit cost	$ 3.9	$ 4.9	$ 1.1	$ 1.0

The components of net periodic benefit cost recorded for the first nine months of 2010 and 2009 were as follows (in millions):

	Pension Benefits 2010	Pension Benefits 2009	Post-retirement Benefits 2010	Post-retirement Benefits 2009
Service cost	$ 5.8	$ 6.0	$ 0.7	$ 0.6
Interest cost	14.6	14.4	2.5	2.4
Expected return on plan assets	(15.4)	(15.0)	--	--
Amortization of prior service cost	0.5	0.6	0.2	0.3
Amortization of net (loss) gain	6.1	8.7	0.1	(0.3)
Net periodic benefit cost	$ 11.6	$ 14.7	$ 3.5	$ 3.0

Based on the actuarial report dated as of January 1, 2010, net periodic benefit cost for 2010 is expected to total $15.4 million for pension benefits and $4.6 million for post-retirement benefits. In the third quarter of 2010, the Company contributed approximately $6 million to its pension plans. The Company does not expect to make any additional contributions in 2010.

(8) Fair Value of Financial Instruments: The fair values of cash and cash equivalents, receivables and short-term borrowings approximate their carrying values due to the short-term nature of the instruments. The carrying amount and fair value of the Company's long-term debt at September 30, 2010 was $500 million and $535 million, respectively and $471 million and $475 million at December 31, 2009, respectively.

(9) Segment results for the quarter and the nine months ended September 30, 2010 and 2009 were as follows (in millions) (unaudited):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue:				
Transportation:				
Ocean transportation	$ 267.5	$ 234.2	$ 754.2	$ 653.8
Logistics services	92.4	82.3	258.1	238.8
Real Estate:				
Leasing	24.4	25.2	71.2	78.3
Sales	4.3	14.9	86.6	61.4
Less amounts reported in discontinued operations	(2.0)	(15.1)	(78.4)	(69.3)
Agribusiness	60.4	32.5	104.4	79.4
Reconciling Items	(2.7)	(3.0)	(10.5)	(8.1)
Total revenue	$ 444.3	$ 371.0	$ 1,185.6	$ 1,034.3
Operating Profit, Net Income:				
Transportation:				
Ocean transportation	$ 40.4	$ 24.2	$ 87.8	$ 44.8
Logistics services	1.8	2.2	5.2	5.5
Real Estate:				
Leasing	9.3	10.2	26.9	33.2
Sales	2.9	3.5	32.3	18.7
Less amounts reported in discontinued operations	(1.4)	(6.5)	(33.2)	(32.2)
Agribusiness	0.8	(13.8)	1.5	(27.0)
Total operating profit	53.8	19.8	120.5	43.0&#1